



South Korea's big strategic bet to rein in North Korea by Troy Stangarone

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In US presidential politics, a candidate suspending their campaign means that they are dropping out of the race. In much the same way, South Korea's recent announcement that it would suspend operations at the Kaesong Industrial Complex in response to North Korea's recent nuclear and missile tests means that what remains of Kim Dae-jung's "Sunshine Policy" is drawing to a close. After North Korea's Jan. 6 nuclear test and recent long-range missile test, Seoul had reached the conclusion that the status quo was no longer sustainable and that stronger measures would be needed to rein in North Korea's nuclear program. However, if the international community was going to follow South Korea's lead in raising the pressure on North Korea, Seoul had only one significant card to play to demonstrate its resolve – shutting down Kaesong.

Opened in 2004, the Kaesong Industrial Complex was envisioned as a place where South Korea could use economic engagement to slowly change the behavior of the regime in Pyongyang. The idea was that by combining South Korean capital and knowhow with low-cost North Korean labor the two sides could find a mutually beneficial avenue for raising living standards in the North, transferring needed technical and managerial skills, and over time reducing the potential burdens of unification on future generations.

The hoped-for complex, which was originally envisioned to employ 350,000 North Koreans at 1,500 firms and tourist destinations, hotels, and shopping centers by 2012, has never materialized. Expansion stalled due to North Korea's weapons programs, a labor shortage, and the likely unwillingness of North Korea to see the complex grow too robust. Instead, the complex employed around 54,700 North Koreans, who were estimated to [support another 200,000](#) or more family members, at 124 firms before being shut down.

With the complex now shut down, the longer it remains shuttered the harder it will be to reopen. South Korea has left some space for the complex to be reopened, but if initial statements by South Korean officials both on and off the record are correct it seems likely that reopening the complex will be difficult.

Having [stated formally](#) that the shutdown was due to concerns over revenue from the complex being used to further North Korea's nuclear weapons program, it seems as though anything short of a significant change in Pyongyang's stance would preclude the Kaesong Industrial Complex from opening again. Even creative efforts, such as reinvesting all the revenue

in other economic development projects, would likely be dismissed as merely freeing North Korean funds dedicated to economic development to further the weapons program.

At the same time, South Korea is looking into [options for relocating](#) South Korean companies that operate in Kaesong. This is not the step one takes if there is an expectation of returning anytime soon.

While reopening the complex would likely require a significant shift on North Korea's part regarding its weapons programs, Pyongyang has taken steps that also make it unlikely that Kaesong would reopen anytime soon by returning the complex to a restricted military area.

Having played its one significant card in shuttering Kaesong, South Korea is betting that by demonstrating its resolve the international community will reciprocate. And along these lines, there have been [indications](#) that closing the complex may have been the price for strong international measures. However, in the absence of significant measures by the international community, South Korea will have paid a significant price in an effort to rein in North Korea's nuclear and missile programs.

While closing the complex would deny North Korea upwards of [\\$120 million](#) in hard currency and more in the future as wages rose annually by 5 percent, shuttering Kaesong on its own is unlikely to have a significant impact on North Korea's weapons programs or imports of luxury goods. Some estimates indicate that North Korea's recent missile test may have cost [\\$850 million](#) and South Korea's National Intelligence Service places annual costs for North Korea's nuclear program at a minimum [\\$1.1 billion](#). The closure of Kaesong alone would be insufficient to slow and reverse North Korea's weapons programs on its own.

Slowing and reversing North Korea's weapons programs will require a series of coordinated measures and diplomacy to resolve. Even one of the regime's other cash cows, overseas laborers, is not a magic bullet as the program likely earns the regime significantly less than the \$2.3 billion that is often mentioned.

Only time will tell if the international community, and specifically Beijing and Moscow, back Seoul's play and support serious efforts to rein in North Korea's weapons programs. But even if they don't, it was still the right move as the longer Seoul went without trying to change the international dynamic the more difficult the problem will be to resolve.

PacNet commentaries and responses represent the views of the respective authors. Alternative viewpoints are always welcomed and encouraged.