

KAESONG EXPORTS GROW, LABOR SHORTAGES WORSEN

Companies in the inter-Korean joint Kaesong Industrial Complex (KIC) have recorded a growth since North Korea abolished restrictions on traffic to and from the complex, as well as on the number and length of visits by South Korean workers.

According to the South Korean Ministry of Unification, companies in the KIC recorded September exports worth 3.42 million USD, 21.5 percent higher than the 2.82 million USD-worth of goods exported in September 2008. From May 2008 to July of this year, KIC exports were lower than the previous year every single month, but finally showed a 29% jump in August, the first time in 15 months. The increase in the value of the complex's exports was helped by exports of machinery and household electrical appliances now being produced there.

There are currently 116 companies operating in the KIC, but according to the Ministry of Unification, at the end of September there were only 40,848 North Korean laborers working there, and the problems revolving around hiring more workers are clouding future prospects for the complex. As there are only around 40,000 North Korean workers living in Kaesong City and the surrounding area, it appears that the KIC cannot currently accommodate any new businesses. This poses a dilemma for the 18 construction projects currently underway, and puts on hold another 105 projects that have been allotted land within the KIC, but have not yet begun construction of any factories.

Furthermore, despite the fact that managers in the KIC are trying to maintain a sense of stability in order to attract further orders, if the North decides to close the door on friendly policies, the



beginning of next year could see a reversal of the growth. The KIC is, at best, enjoying an ‘uneasy peace.’

KIC officials say that the primary issue at the moment appears to be whether roads to and from the complex will be constructed and whether the inter-Korean agreement reached during the Roh Moo-hyun administration to provide dormitories for 15,000 workers will be implemented. According to a survey of businesses, companies already in operation and/or under construction want to hire an additional 26,000 workers. However, with the current government closely linking the North Korean nuclear issue with inter-Korean relations, the road and dormitory construction, which would cost tens of millions of dollars, would have to be based on progress toward denuclearization, the likelihood of which, at this point, is cloudy.

The incumbent government also seems to put more weight on maintaining the current, relatively stable state of things in the complex than on further developing the group project. One problem they are working to solve is that officials managing the KIC are now prepared to rent out space in one ‘apartment-style factory’ in which many different companies operate production facilities under one roof, but are having difficulties finding willing clients, while current tenants complain about close quarters and a lack of space.