

INTER-KOREAN PROJECTS FACE GRAVE DIFFICULTIES FOLLOWING NUCLEAR TEST

Enterprises participating in inter-Korean economic cooperative schemes are faced with mounting difficulties in the wake of North Korea's nuclear test. G. Han Shin, a company operating factories in Shinuiju, faces the possibility that the company will run aground due to the political fallout following the experiment. G. Han Sin has invested approximately 1.7 million dollars in North Korea, most recently in an effort to build a glassware factory near Pyongyang. According to the company, the new government policy -- that inter-Korean economic cooperation will continue, but that projects will be individually reassessed to determine whether government investment will continue -- leaves small-to-medium businesses "hung out to dry."

According to South Korea's Ministry of Unification and the South Korean Trade Association, 379 companies traded with North Korea last year, and with 136 companies involved in processing-on-commission, 515 companies were involved in cross-border economic cooperation. This year, from January to August, 289 companies traded and 106 were involved in processing-on-commission, for a total of 395 companies involved in cross-border trade. In 2005, 420 million dollars worth of goods were exchanged between the two Koreas, accounting for 40 percent of North Korea's trade. This is more than the Kaesong Industrial Complex (16.7 percent) and Kumgang Tourist Facilities (8.2 percent) combined.

According to companies involved with inter-Korean economic cooperative projects, "It is difficult to predict the North Korean authorities, and with the South Korean government flip-flopping, and Washington and Beijing pushing yet even other positions, it will not be possible to continue." Some wanted to travel to North Korea to personally inspect conditions, but with the Chinese carrier Southern Airline canceling its Beijing-Pyongyang route, trips to North Korea had to be suddenly canceled. SJY Textiles, commissioning men's suits and jackets to a factory

near Pyongyang, delayed shipments of materials and funds for several weeks following the nuclear test. This was due to concerns that if an overall blockade of North Korea were to occur, then all goods in the factory would be stranded, and operations would face huge difficulties.

Factory manager Yoo Sang Jae stated after checking through Beijing branch offices, the North's response had been, "the nuclear test was a nuclear test, and business is business," insisting that they be separated. He complained that meetings were held immediately with North Korean contacts in Singapore, but there is still an air of uncertainty. On top of these difficulties, if North Korea carries out additional tests, or if sanctions are strengthened, there is a chance that trade with the North could be abruptly cut off.

One businessman involved with Hanabiz, a company engaged with a sportswear manufacturer in Dandong using North Korean IT manpower, stated that there has yet to be any large blow to operations, but with Chinese banks blocking remittances to North Korea, transfers of funds to partner offices in North Korea's Samchun-ri is difficult. In addition, with relations between North Korea and China frozen, it is difficult for North Korean workers to get proper visas. President Kim Jung Tae of Andong Hemp Manufacturing -- a company with 5 million dollars invested in several factories around Pyongyang -- stated that despite the desire of some companies to continue to invest in North Korea, political factors would lead to no small number of factories closing down.

Institute for Far Eastern Studies, Kyungnam University
The Center for International Cooperation for North Korean Development

28-42 Samchung-dong, Chongro-ku, Seoul, 110-230, Korea

Tel: 82-2-3700-0780 Fax: 82-2-3700-0767

E-mail: icnk@kyungnam.ac.kr <http://ifes.kyungnam.ac.kr>