The Debate

Closing Kaesong: A Good or Bad Decision by South Korea?

By Sung-han Kim

South Korea reacted to North Korea’s latest nuclear test and missile launch with a bold decision to close the Kaesong Industrial Complex, the only remaining symbol of inter-Korean co-operation. It thereby inflicted short-term pain on some of its own businesses in the cause of the long-term goal of pushing Pyongyang to denuclearize. In the words of an old Chinese proverb, sacrificing the plum tree for the peach tree. It was the right decision.

By Rüdiger Frank

Heated debate has taken place since February on whether Seoul’s closure of the Kaesong Industrial Complex was a bad idea or not. The answer is in the eye of the beholder. Will North Korea change its course because of it? Probably not. There are reasons to be optimistic about change in North Korea, but now South Korea will be much less of a part of this process than it could and should be.
The Plum Tree
Sacrificed for the Peach Tree
By Sung-han Kim

WITH A VIEW to ensuring the long-term consolidation and survival of his regime, North Korean leader Kim Jong Un is pursuing the so-called Byungjin policy of simultaneously pursuing nuclear and economic development. His game plan is as follows: North Korea should 1) accelerate the miniaturization of nuclear warheads and ICMBs capable of hitting the mainland of the United States, while at the same time promoting the growing number of small markets throughout the country; 2) return to a “tactical” dialogue with the US and South Korea when North Korea suffers from international pressure; 3) resume nuclear and missile development when the pressure eases; 4) declare a moratorium on nuclear and missile tests right after North Korea has accomplished its strategic mission, the possession of nuclear ICMBs; and 5) come to the negotiating table and resume nuclear and missile development when the pressure eases. Pyongyang declared the complex and freeze all assets there, shutting down the last symbol of cross-border economic co-operation. The shock announcement prompted North Korea to expel all South Korean firms from the complex and finish products are still trapped in Kaesong. These assets are valued at US$663 million.

Still, the shutdown has delivered a strategic victory to South Korea. There is a Chinese essay, Thirty-Six Stratagems, that illustrates a series of stratagems used in war. It consists of six chapters entitled: Winning; Enemy Dealing; Attacking; Chaos; Proximate; and Desperate Stratagems. The first three chapters generally describe tactics for use in advantageous situations, whereas the final three contain stratagems more suitable for disadvantageous situations. Each chapter consists of six sub-chapters. The fifth sub-chapter in the second chapter concerns how to deal with enemy stratagems: “Sacrifice the plum tree to preserve the peach tree” (李代桃僵, Lǐ dài táo jiāng). In short, there are circumstances in which you must sacrifice your short-term objectives in order to gain long-term goals. This is the scapegoat strategy, in which someone else suffers the consequences so that the rest do not. Making this stratagem work can require a careful balancing act, and speed can be an important success factor in creating a sequence to allow you to rapidly gain the upper hand. In this instance, the South Korean government acted quickly to stop operations at the Kaesong complex.

This strategy also worked in Seoul’s consultation with the US about the deployment of the Terminal High Altitude Area Defense missile system (THAAD), which has given rise to security concerns in China. The Chinese government, after having engaged in lengthy consultations, decided to join the strong sanction regime drafted by the UN Security Council. China acted quickly after the shutdown of Kaesong, in contrast to its reaction to the nuclear and missile tests, when Beijing didn’t react quickly. Chinese Foreign Minister Wang Yi said North Korea’s nuclear test and long-range missile launch violated UN resolutions and posed a serious challenge to the global national community to take the North Korean nuclear issue more seriously. The sudden closure took a heavy toll on more than 120 South Korean firms whose production machinery, raw materials and finished products are still trapped in Kaesong. These assets are valued at US$663 million.

In retrospect, South Korean President Park Geun-hye had one thing in mind. She believes Kim will not give up his nuclear weapons program unless the security of his regime is seriously threatened. On February 16, Park said in the National Assembly, “South Korea will take stronger and more effective measures to make North Korea realize its nuclear ambitions will only result in accelerating the collapse of its regime,” which hinted at South Korea’s forthcoming aggressive drive to put the North into a corner.

SACRIFICING THE PLUM TREE FOR THE PEACH TREE

The Kaesong Industrial Complex, which employed about 54,000 North Korean workers, was seen as one of the last symbols of co-operation between the two Koreas. At the same time, there was a problem that it was also the channel through which the North Korean government earned cash to support its nuclear weapons program. The closing of the complex would deny North Korea upwards of US$120 million in hard currency annually. Given the estimated cost of US$850 million for a long-range missile test and the US$1.1 billion in annual costs for its nuclear program, the shutting of Kaesong on its own is unlikely to have a significant impact on North Korea’s nuclear weapons program. But the US$120 million constitutes about 3.5 percent of North Korea’s annual exports, which is not exactly pocket money.

In fact, Park’s decision to close the complex was strategic rather than economic, in the sense that if the South Korean government had not closed the Kaesong complex, South Korean workers might have been held at the Kaesong site. North Korea could have threatened to kill them to prevent the Security Council from adopting some of the harshest sanctions ever against North Korea in response for Pyongyang’s January nuclear test and February long-range missile launch.
The Kaesong industrial complex was a “decent” model because the living standards of the North Korean workers were much better than other North Korean workers overseas. But there was also built-in exploitation, in which the Pyongyang government took the premium and the workers did not get what they deserved. North Korea then exported the Kaesong model to other countries since it could do so with impunity, which has created a situation of serious human rights violations. In this sense, the closure of Kaesong could be a turning point for the international community, putting on the table the issue of North Korean forced foreign labor and raising the possibility of addressing the problem in a systematic manner.

KAESONG COULD BE REOPENED IF NORTH KOREA CHANGES

Whether the Kaesong industrial complex will remain closed or will be reopened depends on North Korea. As long as the Kim Jong Un regime continues to pursue its nuclear weapons program, the complex’s operations at the complex will never be resumed. If the regime shows its intention to denuclearize and takes meaningful measures such as a verified freezing or dismantlement of its nuclear weapons program, the reopening of the Kaesong complex could be put on the table at inter-Korean talks. Now, however, is not the right time for us to talk about how to reopen the Kaesong complex. South Korea and the international community should focus their attention and energy on regime transformation, if not regime change, in North Korea. Regime transformation means changing the behavior of Kim’s regime by threatening its security, which it values more than its national security. Rather than falling into a nostalgia for the good old days of the Kaesong industrial complex, we need to concentrate our efforts on getting the North Korean regime at last to denuclearize.

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