

## **ROK BUSINESSES OPTOMISTIC ABOUT INTER-KOREAN COOPERATION AFTER NUKE RESOLUTION**

South Korean businesses currently involved in inter-Korean economic cooperation are facing many difficulties, both due to and in spite of the system in place, so that at the moment, investment in North Korea does not look much more appealing than in Vietnam or China.

The Korea Chamber of Commerce carried out a survey, titled “Business Perspective on the Direction of South-North Economic Cooperation Policy”, targeting 300 successful businesses (170 companies responded) and 200 companies currently involved in inter-Korean economic cooperation (132 companies responded). According to the results of the survey, 79.4 percent of companies involved in inter-Korean cooperation responded that they are “currently facing systemic and procedural difficulties.”

More specifically, 44.7 percent pointed to the “3-C” (commute, communication, and customs) issues, 22.4 percent pointed to “claim resolution procedures,” 14.3 percent highlighted “difficulties with financial transactions,” 11.8 percent chose the “ban on the import of strategic materials,” and 5 percent indicated that “limited markets” were the main issue.

In addition, 58 percent of responding companies noted issues not related to the system set up for inter-Korean cooperation. 36.6 percent pointed to difficulties resulting from the “lack of understanding of market economics,” 28.7 percent noted a “lack of supervision by managers,” 24.8 percent chose “uncooperative, highly tense attitudes,” and 8.9 percent pointed out “demands for quick production.”

When asked about the relative attractiveness of investment in North Korea if the current situation were maintained, as compared to Vietnam and China, only 27 percent responded, “more attractive”, while 53.7 percent, or twice as many companies, responded that investment was “impossible.”

However, 58 percent responded that, in the event the North’s nuclear issues were resolved, investment in North Korea would be “more attractive than China and Vietnam”, while only 21.7 percent responded that investment in the North would still be “impossible.”

The overall impression of these companies regarding inter-Korean cooperation is that “improvement of inter-Korean relations offers opportunities for new enterprises and is a positive influence on the South Korean economy” (65.3 percent), and 19 percent felt that cooperation would “in the future, serve as a springboard for the relaunch of the South Korean economy.” 15.7 percent of responding companies felt, however, that “there would be no substantial positive influence on the economy.”

Currently, a resolution to the North Korean nuclear issues is the most important factor, but it is imperative that pledges of the incoming ROK administration such as strengthening investment security, preparing claim resolution measures and other issues to placate business interests, and nurturing North Korean exporters, are institutionalized.