



DPRK SUGGESTS KIC BUSINESS WITHDRAWAL

On May 15, North Korea announced that agreements on land rent, wages, and other issues regarding the Kaesong Industrial Complex were no longer recognized, and that South Korean businesses not willing to accept the North's new demands were free to leave the KIC.

The North's representative bureau delivered its message through the Kaesong Industrial District Management Committee, announcing, "We declare null and void the rules and contracts on the land rent, land use tax, wages, all sorts of taxes, etc. which we have so far applied to the south side in the [KIC] out of special favor, guided by the spirit of the June 15 Joint Declaration."

North Korean media reported that the government "will begin steps to execute reformed standards, regulations, and laws in accordance with the changed political atmosphere and [new] realities," and that "southern companies and officials must unconditionally accept our demands, and if they disagree, they can leave."

The notice stated that it was "self-evident that June 15 benefits could not be extended to those who do not acknowledge the June 15 Joint Declaration.," and blamed South Korea for "driving the hard-won working contract to the crisis of rupture," by being unresponsive to calls for talks concerning contract renegotiations. It also states that "prospects for the Kaesong Industrial Complex depend entirely on the South's position."

Inter-Korean relations further worsened when talks on April 21 were delayed by 10 hours as North and South representatives debated over agenda items, as the South demanded to talk



about the South Korean worker being held in the KIC. North Korea refused to broach the subject, but later followed up the May 4 announcement with a request for talks with South Korean officials on May 6, and has indicated a desire to hold further negotiations.

South Korean officials countered with a call for working-level talks on May 8, to include discussion on the ROK worker still held in the North. North Korean authorities responded that the detained worker issue is not under their jurisdiction, but that they would hold talks on other issues on the 12th.

South Korean officials insist that the issue of the Hyundai Asan worker, now held for over 40 days, is “the fundamental issue” regarding the complex, and reiterated their offer for comprehensive talks on the 15th. An ROK official stated that if talks did not work out on the 15th, then he would prepare to meet the North the next day, and if that fell through, the next day, as well, indicating the South’s willingness to discuss the issues, as long as the fate of the Hyundai Asan worker is included.

Closure of the KIC would cost North Korea 34 million USD per year in lost wages from around 40 thousand jobs, while it would mean losses for the 104 South Korean companies currently in operation in the complex, as well as 33 companies with factories under construction. ROK Unification Minister Hyun In-taek stated, “The Kaesong Industrial Complex is now at a critical juncture. But our government will make utmost efforts to ensure its stable development, calling the cooperative project, “the last remaining hope for the future” of inter-Korean relations.