

## The Conclusion of the Korea-US FTA and Economic Cooperation between South and North Korea

**Kim, Young-Yoon**

(Senior Research Fellow, KINU)

The US perception of the Kaesung Industrial Complex has changed dramatically. Its agreement to establish a 'Committee on Outward Processing Zones on the Korean Peninsula' after the FTA treaty between the US and South Korea coming into effect signifies that it not only acknowledges the Kaesung Industrial Complex, but also the inherent problems in exporting the goods produced there. Although there are conditions attached to the agreement, such as the progress in eliminating nuclear weapons in the Korean peninsula, there is now the possibility of exporting these goods to the US by allowing the plausibility of recognizing goods produced in the South-North economic cooperation areas as Korean-made.

The Kaesung Industrial Complex is currently only on trial, but it is quite certain that it will play a vital role in exchanges and cooperation between South and North Korea. This is evident by the fact that until the end of January, the total volume produced in the Kaesung Industrial Complex and other trial companies exceeded 100 million dollars. Because the goods are targeted for the domestic market, there is not yet a problem with market access, but it is true that reliance on the domestic market cannot continue forever. There is a need to sell the goods in the global market. And the US market is unique in its importance to Korea. If the goods produced in the Kaesung Industrial Complex can enter the US market with little or no tariffs, then inter-Korean economic cooperation will take off. It will also change the quality and size of South-North economic cooperation, which makes up the lion's share of trade between the two Koreas. If the North Korean produced goods are recognized as Korean-made goods, it is highly likely that other countries will follow suit. The vitalization of the Kaesung Industrial Complex will be an opportunity for North Korea to increase its labor costs, learn skills, and gain experience in corporate management, which will result bring substantial benefits.

The South Korean government must use the US's change of attitude toward the Kaesung Industrial Complex as an opportunity to make sure that all goods produced together by South and North Korea are recognized as Korean products. To achieve this, the members of the Committee on Outward Processing

Zones must be invited to the Kaesung Industrial Complex and shown the production site. The members must know how the goods are produced and how the site is managed. They must also know the channels through which labor costs are being paid to North Korea. Views and attitudes concerning the Kaesung Industrial Complex will change substantially when the members visit the site. By seeing how North Korean laborers are working, one can actually feel that North Korea has changed. This does not apply to committee members alone. Critical people who believe that the government of the US will give preferential treatment to goods produced at the Kaesung Industrial Complex after the conclusion of the FTA should also be invited.

But the most important thing is to convince North Korea. North Korea's attitude is critical in gaining recognition for the goods as Korean-made. Above all, the North Korean nuclear problem must progress in a positive direction. The early implementation measures and complete abolishment of nuclear weapons must be the goal for North Korea. The firm determination to eliminate nuclear weapons on the Korean peninsula will decide the outcome of the effectiveness of the agreement, and the also establishment and operation of the Committee on Outward Processing Zones, so North Korea must express its sincerity in its intention to solve the nuclear problems, implement internal reforms, and open its borders. And North Korea must realize that this is the only shortcut to stabilize its regime and gain economic profits. It must also be aware that the high tariffs imposed on North Korean products produced in Kaesung are an obstacle to the vitalization of the Kaesung Industrial Complex, and that in order to energize the Kaesung Industrial Complex, the process of denuclearization must proceed smoothly, which will lead to its removal from the list of terror-supporting nations and application of the Trading with the Enemy Act.

If goods produced in the Kaesung Industrial Complex are acknowledged as Korean goods through the Korea-US FTA, then inter-Korean relations, as well as its economic cooperation, will reach a critical turning point. It may lead to more competitiveness for South Korean corporations, recognition of North Korea's role in the Kaesung Industrial Complex and its regime, and even to the settlement of peace on the Korean peninsula and economic growth of North Korea. For these reasons, the conclusion of the Korea-US FTA is an adequate foundation that opens the possibility of mutual benefits for both South and North Korea.