

Policy Forum 05-94A: Made in Which Korea?



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Policy Forum Online 05-94A: November 21st, 2005

"Made in Which Korea?"

Editorial by the JoongAng Daily

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I. Introduction

The JoongAng Daily News ran this editorial on the challenges of inter-Korean economic cooperation and the Kaesong Industrial Complex. "The economic benefit for both Koreas is estimated to exceed \$20 billion a year. Unification Minister Chung Dong-young has spoken of the need to amend the South Korean constitution to recognize North Korean territory. It would be hard to declare the products from Kaesong as goods that are made in South Korea after such an amendment."

The views expressed in this article are those of the author and do not necessarily reflect the official policy or position of the Nautilus Institute. Readers should note that Nautilus seeks a diversity of views and opinions on contentious topics in order to identify common ground.

II. Editorial by the JoongAng Daily

- Made in Which Korea?
by the JoongAng Daily

James R. Lilley, a former U.S. ambassador to South Korea, said it would be difficult for the United States to regard import goods produced in the Kaesong Industrial Complex as South Korea products. Although Mr. Lilley is out of service at the moment, he is still one of the leading experts on issues regarding the Korean Peninsula. The fate of the Kaesong Industrial Complex, a symbol of inter-Korean economic cooperation, is highly likely to depend on the issue of which country should be labeled as the products' origin.

Meanwhile, negotiations with the United States played a crucial role in allowing strategic goods such as computers in and out of the North Korea-based complex. The remaining issue now is how to declare the place of origin for goods produced in the Kaesong complex. According to international convention, they should be labeled "made in North Korea." However, countries like the United States and Japan either ban the import of made-in-North Korea products or impose a heavy tariff rate. In such a situation, it will be almost impossible to export goods produced in the Kaesong complex.

The Free Trade Agreements signed last year between Korea and Singapore and Korea and the European Free Trade Association recognize goods produced in the Kaesong Industrial Complex as made-in-South Korea. The South Korean government then made a request to obtain customs-free status if more than 60 percent of the raw materials used to make a product were from South Korea. Given South Korea's concessions in other areas, both partners accepted the offer.

However, the situation recently changed. Last month, some members of the Association of South East Asian Nations refused to recognize products from Kaesong complex as made-in-South Korea. ASEAN said that under World Trade Organization regulations, the origin of the country must be the place where the industrial process was completed. They said it is difficult to consider products made in North Korean territory as having been made in South Korea.

If the Kaesong Industrial Complex project is successful, companies can save much in labor costs and have a greater supply of raw and subsidiary materials. The economic benefit for both Koreas is estimated to exceed \$20 billion a year. Unification Minister Chung Dong-young has spoken of the need to amend the South Korean constitution to recognize North Korean territory. It would be hard to declare the products from Kaesong as goods that are made in South Korea after such an amendment.

III. Nautilus Invites Your Responses

The Northeast Asia Peace and Security Network invites your responses to this essay. Please send responses to: napsnet-reply@nautilus.org . Responses will be considered for redistribution to the network only if they include the author's name, affiliation, and explicit consent.

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