

July 18, 2006

## South Brings Capitalism, Well Isolated, to North Korea – *New York Times*

By [NORIMITSU ONISHI](#)

KAESONG, [North Korea](#) — Just north of the demilitarized zone dividing the Korean Peninsula, in possibly the world's most heavily guarded special economic enclave, 500 managers from the South and 7,000 workers from the North are engaged in a capitalist experiment that is anathema to the United States.

The South Koreans recently gave a tour of the enclave, the Kaesong Industrial Park, to 200 foreign business executives, diplomats and journalists. The hosts expressed optimism that it would bring peace to the peninsula, then they led the visitors through factories churning out goods for markets in the South and elsewhere.

In one of the 15 factories, Taesung Hata, a cosmetics company, about 500 workers wearing dark blue uniforms and white hats operated machines that produced plastic cosmetic containers. Next door, 1,500 workers sat in rows of desks with sewing machines, below ceiling fans and decorative red flowers, making orthopedic shoes called Stafild that were described as “Shoes for Unification.”

To hear the South Korean hosts tell it, when the special economic zone is completed in 2012, it will be bigger than Manhattan, house 2,000 companies and employ 700,000 North Koreans. Yet Kaesong's significance is larger still, they say, because it will nudge the North toward embracing economic reforms and opening up to the world, the way Shenzhen did in China two decades ago, and open the path, as the shoes suggest, toward reunification.

[The hosts also said they had considered canceling the June 22 tour, which coincided with rising tensions over North Korean preparations for a missile test on July 5, but decided against it.]

Kaesong is [South Korea](#)'s biggest project in what some here call unification by "small steps," or "de facto" unification. The South does not want formal unification for a few more decades, but its strategy is to narrow the yawning gap of half a century of division through various projects, from manufacturing here in Kaesong to uniting the two Koreas' different Braille characters for the blind and sign language for the deaf.

"It's de facto unification," said Ko Gyoung-bin, who oversees the 18-month-old Kaesong project at the Ministry of Unification in Seoul. "It's already under way. Unlike the German model, it won't happen suddenly."

The two Koreas agreed on building Kaesong in June 2002 when the South Korean president at the time, Kim Dae-jung, and the North's leader, Kim Jong-il, met in Pyongyang. Since then, the exchanges have become so routine that sports authorities on both sides are moving toward fielding a unified team for the 2008 Beijing Summer Olympics.

With cultural, academic, business, political or military exchanges going on between the Koreas nearly every week, 80,000 South Koreans visited the North last year. That did not include South Korean visitors to Kungang Mountain, a North Korean resort opened to foreigners eight years ago. Kungang has been visited by 1.25 million South Koreans.

South Korean regional and local governments, regardless of political leanings, have also undertaken projects with counterparts in the North. More than 60 private organizations now send South Koreans north to assist on agricultural, health and other projects.

"We go to North Korea, where we work with our counterparts to show them how to use certain agricultural machines or how to breed better cattle," said Kang Young-shik, director of the Korean Sharing Movement, a private group that has undertaken the Braille and sign-language projects. "They need help from us, though they also feel the need to compete with us."

Cho Yong-nam, a director general in the Unification Ministry, said South Korea had projects in 27 of 206 cities and counties in the North. The common theme, he said, is to raise standards in the North so that, in a unified Korea,

North Koreans would not constitute “a displaced, misfortunate minority group.”

Companies that have come to Kaesong, which is managed by Hyundai Asan, a private company, have received tax breaks and other support from the South Korean government.

A new highway and railroad traverse the DMZ before reaching Kaesong, about 40 miles northwest of Seoul. Soldiers stand watch on either side of the demilitarized zone, with its barricades, barbed wire fences and land mines.

In working with North Koreans, South Koreans have said, they have encountered the sometimes unexpected effects of their division: North Korean construction workers, for example, were rated only one-third as efficient as their counterparts from the South; many North Koreans, with little experience handling machines, have required extensive training.

Sometimes, South and North Koreans had trouble communicating because the language spoken on either side of the DMZ has changed significantly. (One project supported by the South is a unified dictionary with new words that have appeared, or words whose meanings have changed, since the division of the peninsula after World War II.)

Last year, the activity here expanded trade between the Koreas to more than \$1 billion for the first time, though only a few companies here are believed to be profitable.

Kaesong has also become an obstacle in negotiations between South Korea and the United States over a free-trade agreement. The South wants products made here to be included in the agreement, arguing, so far in vain, that most of the materials derive from the South.

The Bush administration, which has tried to isolate the North instead of engaging it, recently criticized Kaesong after long withholding judgment. It accused the South of economically propping up the North, as the United States was financially squeezing the North elsewhere.

In a recent op-ed piece in The Wall Street Journal, Jay Lefkowitz, President Bush's special envoy for human rights in North Korea, said projects like Kaesong strengthened Kim Jong-il by pumping "hundreds of millions of dollars into the North, with more to come." Mr. Lefkowitz also said he had doubts about whether the North Korean workers actually got their wages.

Mr. Ko, of the Unification Ministry, rejected such accusations, saying the North Korean workers had to sign their names when they received their wages. The wages average \$57 a month, nearly triple the average in the North, he said.

According to Hyundai Asan, employees work 48 hours a week. They were picked by North Korean officials, then approved by South Koreans. About 80 percent are high school graduates.

Visitors were allowed to speak freely to the North Korean workers, but the presence of supervisors and North Korean guides on the tour discouraged anything but innocuous answers.

Peter M. Beck, who is the Northeast Asia director for the International Crisis Group in Seoul and took part in the tour, said that he was impressed by the facilities but that it was still unclear how much of the wages went to the workers.

At Shinwon, a garment manufacturer, 300 North Korean workers were cutting and sewing shirts, dresses and blouses in a large, brightly lighted, air-conditioned factory.

"I've seen factories of this type in Kenya, Bangladesh, India and Papua New Guinea, and the conditions here compare very favorably," said Frank Gamble, a retired banker and an official with the Australia-New Zealand Chamber of Commerce in Seoul, as he toured the Shinwon factory. "What South Korea is trying to do here in Kaesong, we've already seen in China and Vietnam and elsewhere. The United States was against investing in Vietnam, but now they're beating down doors to get there."

A North Korean official accompanying the visitors expressed anger at criticism from Americans.

“I think they’re ignorant,” he said, refusing to give his name. “They just criticize everybody, including China on human rights. They just want to impose their standards on the world.”