Border, Transition, and Geopolitics of the Borderland: Kaesong Industrial Complex

Young Hoon Song
Research Fellow
Korea Institute for National Unification
younghoon.song@gmail.com

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Introduction

What roles has the Kaesong Industrial Complex (KIC) played in the development of inter-Korean relations? How might it have changed the entity-environment relationship in inter-Korean relations? Because the KIC was established with the (neo)functionalist motivation of the South Korean government, some studies have paid their attention to the economic influence of the KIC on inter-Korean relations as well as the development of legal frameworks to guarantee a stable collaboration of economic development between the two Koreas.¹ Yet, very little attention has been paid to the political consequences of the KIC in inter-Korean relations even though the KIC is a notable achievement to shrink social space, cost space, and time space between the two Koreas.

After the first inter-Korean summit in 2000, the two Koreas held a series of talks at the various levels and reached many agreements on the re-connection of roads and railroads which were cut off during the Korean War, the reunion of separated families for the first time since the division of Korea, the reduction of military tension along the border, and economic investment of South Korean business sectors in North Korea. The most phenomenal achievement was the two Koreas made an agreement to form a special administrative industrial region in Kaesung, which located ten kilometers (six miles) north of the Demilitarized Zone (DMZ), an hour’s drive from Seoul, through direct road and rail access to South Korea. The two Koreas agreed to prevent double taxation on consumer goods produced from South Korean private firms in the KIC since 2003.

The KIC have been operated within the territory under the North Korean sovereignty, but South Korean firms have developed critical economic interests and North Korean workers have become to rely upon the income paid by South Korean firms. By the end of 2013, more than 52,000 North Koreans were working at 123 South Korean business firms in the KIC. The total amount of goods reached 469.5 million dollars in 2012 and 223.8 million dollars in 2013. The decrease of the total amount of goods in 2013 resulted from the closure of the KIC from April 9 to September 16 due to North Korea’s military provocations and South Korea’s responses. Some reports from the positive perspective predict that the KIC will keep contributive to the economic collaboration of the two Korea although there are some political and security constraints. But what the KIC is has less attention in the most analyses.

How should we understand the consequences of the KIC in inter-Korean relations in
terms of political and security concerns? How and to what extent has the KIC reshaped inter-Korean relations and will it continue to change social distance, cost distance, and time distance between the two Korea? This study explores the answers to these questions based on the lessons from border studies and the study of geopolitics. It should be noticed that the two Koreas tried not to completely close down the KIC even after the Cheonan incident and Yeonpyeong shelling and they actively involved in the reopening of the KIC in about five months.

This paper is organized into five sections. The next section addresses the conceptual development of borders using the discourses and findings of border studies. The DMZ has played an important role as a de-facto border between the two Koreas, but the KIC may have changed the image of borders and spaces of interactions. The third section discusses the meanings of the time and space in social and international relations. Time has received more attention in the field of academia and practice than space or the spatiality. Yet, it should be understood that all political events occur only when policy makers choose an alternative in response to the environment. The following section provides a descriptive analysis how we may understand the impact of the KIC on inter-Korean relations in terms of the time and space. The concluding section discusses policy implications to enhance inter-Korean collaboration for economic development in North Korea and peacebuilding on the peninsula.

**Border and Its Reconceptualization**
Every international border has its own histories that affect current realities of bordered states and regions. North Korea and South Korea have histories of borders since the division in 1948 with the 38th parallel north. The Korean War has changed borderlines between the two Koreas with the DMZ, a de-facto border barrier, which cuts the Korean Peninsula roughly in half. Based upon the Armistice Agreement of July 27, 1953, North and South Koreas moved their troops back two kilometer from the front line, the military demarcation line. Since then, the DMZ has played an important role as a border in inter-Korean relations, separating the sovereign territoriality of the two Koreas.

The primary function of borders is most commonly associated with the idea of territoriality, “the means by which humans create, communicate, and control geographical spaces, either individually or collectively, through some social or political entity.” The DMZ has created and differentiated North Korea and South Korea for more than sixty years. In other words, North and South Koreans have existed as geographical human beings on the divided peninsula. They have developed different ways of communication with other community members within their own half of the peninsula, separating themselves from other Koreans on the other side.

Traditionally borders are seen as “the physical and static outcome of a political decision-making process.” Borders used to be considered the living space marked by nature, but the idea of natural borders could not determine the territorial limits of states.

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Given the difficulties in defining and locating objective natural borders, border researchers concluded during the 1930s that all borders were arbitrary, subjective, and the result of human decision, not forces of nature because man, not nature, determines their locations. During the Cold War era, international borders became frontiers of ideological world. Communist ideologues pursued a rule of the world’ working class leading to the dissolution of international borders, and in the other hand, economic integration among capitalist states also made international borders less important. In the same vein, the DMZ has been a frontier of ideological competition between the two Koreas.

In international relations, borders, their functions, and meanings change over time. Since the late 1980s, borders are considered social constructions, reflecting both collective and individual practices, discourses and memory and possessing both material and symbolic aspects. In this context, Oommen argues that “[t]he rise and fall, the construction and deconstruction of different types of boundaries … make up the very story of human civilization and of contemporary social transformation.” Thus, some studies examine how and to what extent contemporary globalization, nationalism, migration, or environmental change affect the processes involved in border construction. Approaches to the concept of

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border in these studies may be characterized into four categories according to general questions, concerns, and themes.  

First, the ‘borderless’ claims raise a very important question of to what extent international borders become opening or closing. In one hand, goods and services are more likely to cross borders as the world economy becomes interdependent through regional integration and free trade agreements. In the other hand, international barriers alongside borderlines for human flows have increased since the September 11 terrorist attacks for each state’s increasing security concerns. Each state, instead, puts more restriction on the flows of human beings crossing borders into its own territory by enhancing border control and visa system. David Newman describes this phenomenon as the following:

[T]he globalization impact on borders is as geographically and socially differentiated as most other social phenomena – in some places, it results in the opening of borders and the associated creation of transition zone borderlands, while, in others, the borderland remains a frontier in which mutual suspicions, mistrust of the other and a desire to maintain group or national exclusivity remain in place.

Borders become opening in an economic aspect, but at the same time, they become closing in a security concern.

Second, borders are likely to be re-conceptualized as a zone of transition and meeting. Consequently, borders are not immutable or deterministic anymore, but they are dynamic and changing through cultural interactions and exchanges. Borders become not
sites for division of people into separate places with the development of identity against the others but sites for interaction between individuals as well as groups of individuals facilitating coalition, collaboration, and cooperation. For example, the KIC has also created spaces, which allow North Koreans and South Koreans to interact with each other within the complex. However, not always have borders with the increase of interactions among individuals and groups of individuals offered opportunities for cooperation. Increasing interactions may at the same time lead to the increasing possibilities of conflicts in economic interests, cultural animosity, and militarized disputes.

Third, regional and international organizations have made the borderless world more complicated and complex. As the regional economic integration goes deepened, each regional economic institution or organization creates a new border, separating member states from non-member states. For example, processes of EU integration and enlargement have transformed many certainties that have enshrined the nation-state as a locus of territorial identity. EU enlargement facilitate a sense of political community based on (geo) political, social, and cultural identity among member states, which have evolved into states with political actors exercising more limited sovereignty in terms of territorial governance.\textsuperscript{10} The increasing level of “Europeanness” among EU member states offers opportunities for cooperation and collaboration while it is increasing the level of distrust and hatred among non-EU member states in Europe.

Finally, borders may affect and be affected by everyday individual experiences of local residents. From this perspective, local interactions between communities facing each other across borders have received increasing attention among scholars and experts. It must be noticed, however, that those interactions may not guarantee collaboration or cooperation among local residents. Even when the government encourages local residents to effectively cooperate each other, they may resist cross-border cooperation with the others. This implies that interactions among North and South Korean workers in the KIC may not necessarily enhance mutually positive understandings of the others and, in some instances, interactions may also strengthen misunderstanding of the others.

**Time and Space of Social and International Interactions**

Human inquiry of border politics and international relations should take both time and space into serious consideration because time and space provide the fundamental contexts of social and international interactions. Yet, many analyses have been structured solely around time so that they can tell us half of the story without providing the contextual story. Space and the spatial dimension affect international interactions by reshaping the dynamics of opportunities and the structure of incentives and risk to choose an alternative.\(^\text{11}\) Borders are not the dead, fixed, and immobile.

All human beings may locate themselves universally in one of three regions along the temporal dimension: the past, the present, and the future. The temporal dimension of

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human experience can be easily understood because it allows us to produce the universal, linear, ordered points of observation with standard units of measurement such as days, months, and years. This is one of the reasons why many studies of international relations, including inter-Korean relations studies, focus on the evolution of interactions along the temporal dimension. Interactions at the present are the most intense and intimate ones while interactions in the past may not tell us the context at the point of experience or interaction in the future may not tell us what context will be at the point of experience.

All human beings also must be located physically somewhere, but there is no universal reference point such that all location is somehow relative and non-formalized. While human beings cannot control the time point, they move into some places voluntarily. Thus, standard units of measurement of space such as kilometers, latitude, and longitude by themselves do not reveal much information of interactions. The context of space should be incorporated into our understanding of interaction as an important factor of social and international relations. For instance, the division of the peninsular has offered different environments for North and South Koreans and nourished different contexts of their social and international interactions.

Spatial distance from an actor’s core area to that of the other affects each actor’s behavior in their interactions. If a state wants to exercise its own power over the other, it should have capability to project its power over the greater distance. Thus, many studies demonstrate that there is an inverse relationship between power and distance. In the

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geopolinomic or geoeconomic world, the relationship between geography and power is found in the ability to move goods, services, and information most efficiently and rapidly from one point to another. In other words, absolute distance may be shrunk depending on the issues with which political actors are concerned.

All social and international interactions occur when humans respond to the environmental structures and make their choices upon their perception on the environment. With regard to the relationship between an entity and its environment, Sprout and Sprout proposed an analytical framework of the ecological triad to counter a deterministic view of space. The basic idea of the Sproutian approach is that physical or non-physical international environments encompass decision makers and decision makers would be capable of making choices. In other words, political decision makers choose a policy based on their perception of opportunities and willingness.

The Sprouts’ approach distinguishes between the environment as the observer perceives it and the environment as it actually exists. Sprout and Sprout propose three alternatives to understanding the entity-environment relationship. First, they propose environmental possibilism with which the environment is conceived as a set of opportunities and limitations. Second, environmental probabilism is proposed. The environment provides decision makers not only with what is possible, but with what

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16 Benjamin A. Most and Harvey Starr, Inquiry, Logic, and International Politics (Columbia, SC: University of South Carolina, 1989).
choices would be more or less likely under those particular circumstances. Third, they proposed cognitive behaviorism, the principle that a person perceives and interprets the environment in terms of the past experience.  

The Sprouts formulation of the ecological triad challenges the realist argument that Inter-Korean relations would be determined by geopolitical factors. Realist must argue that because the two Koreas located on the peninsula surrounded by major powers, there is not much that the two Koreas can do by themselves. However, from the Sprouts’ perspective, geographical factors may provide possible alternatives but the possibility should not determine any decisions made by leaders of the two Koreas. Thus, all spatial contexts of the Korean peninsula should be permissive and actors must choose.

If space is also a concept that takes on meaning only as it is perceived by individuals or groups of individuals, borders and space on the Korean peninsula should also be a permissive concept. That is, the border of the DMZ may have different meanings over time and space. Until the mid-2000s, the meaning of the DMZ as a concept of border in inter-Korean relations should be invariant; but now, it may have different meanings since the border opened to persons who are working at the KIC. In other words, North and South Koreans may have different perceived concepts of border so that the KIC may have different meanings to each individual or group of individuals. Thus, location may be divided into two concepts such as absolute location and relative location. The most social, political meaning of border or space comes from political actors’ perception.

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17 Sprout and Sprout, op. cit. (1965).
Inter-Korean relations can be evaluated from the perspectives of relative space. Relative space should involve both time and physical location. In other words, we may investigate how the absolute space has been transformed into the relative space: social space, cost space, and time space. The economic achievement of the KIC may be evaluated and projected differently depending on what statistics you use, but what the KIC means and what happens in the space should be complementarily incorporated in the analysis of the past, present, and future of the KIC.

**Border, Time, and Space of the KIC in Inter-Korean Relations**

The (neo)functionalist motivation of the South Korean government and economic needs of the North Korean regime made it possible to form the KIC despite a lot of obstacles at the various levels. While the KIC is expected to make spillover effects over other issue areas in inter-Korean relations, economic achievements of the KIC have not met up to the expectation of the proponents for many reasons. Instead, Im and Choi argue that economic collaboration of the two Korea have never overcome a prisoners’ dilemma such that any development for regional integration has been easily negated by political conflicts.\(^\text{18}\) Yet, this analysis may not be incorrect but incomplete because it does not tell us the full story about the changing context.

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Before the KIC was established, the de-facto border between the two Koreas had been only the DMZ on the Korean peninsula. However, the KIC may have changed the cognitive border between the two Koreas among South Koreans. Presidents, special governmental agents, or few of progressive activists visited North Korea until the KIC was established. Only the past Chung Ju-Young was able to open the North-South border on land with herds of cows in 1998. The KIC allows many individuals to go to North Korea and do their business with North Korean workers. To South Koreans, the borderline on land is not impermeable and mobile anymore.

The Institute for Peace and Unification Studies at Seoul National University surveyed a question, “How strongly do you agree (or disagree) with the following opinion: Even if small sacrifices have to be made, the Kaesong Industrial Complex should be maintained?” The response of South Koreans is virtually evenly divided, but the proportion of South Koreans who agree to operate the KIC continuously is greater than that of those who disagree except in 2011 and 2012. However, if we consider the negative impact of the Cheonan incident and Yeonpyong shelling on inter-Korean relations, the margin of the response of the agreement and disagreement may be understood as negligible. Although the survey conducted in July 2013 when the KIC was closed after a series of North Korea’s military provocations, about half of South Koreans answered the KIC should be maintained. This may illustrates that some South Koreans consider the KIC an

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19 The IPUS conducts the Unification Attitude Survey annually since 2007. The question as to the operation of the GIC was added for the first time in 2009.
importation space for South Korea’s national interests and the KIC became their cognitive frontier or border.

Table 1. The KIC should be maintained

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>11.5</td>
<td>12.2</td>
<td>10.6</td>
<td>11.4</td>
<td>11.9</td>
</tr>
<tr>
<td>Agree</td>
<td>37.2</td>
<td>37.5</td>
<td>35.6</td>
<td>34.3</td>
<td>38.5</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>31.0</td>
<td>32.3</td>
<td>33.7</td>
<td>33.9</td>
<td>31.6</td>
</tr>
<tr>
<td>Disagree</td>
<td>15.5</td>
<td>15.3</td>
<td>15.5</td>
<td>16.1</td>
<td>13.7</td>
</tr>
<tr>
<td>I Don't Know</td>
<td>46.6</td>
<td>47.7</td>
<td>49.2</td>
<td>50.0</td>
<td>45.3</td>
</tr>
<tr>
<td>Total Observations</td>
<td>1,203</td>
<td>1,200</td>
<td>1,201</td>
<td>1,200</td>
<td>1,200</td>
</tr>
</tbody>
</table>

Data: IPUS at Seoul National University, Unifications Attitude Survey 2013.

The KIC has become the space in which North and South Koreans communicated one another, individually or collectively and directly or indirectly. After the Cheonan incident and the following 5.24 sanction against North Korea that does not allow a new investment in the KIC, 123 companies are doing their business with an increasing number of North Korean workers. Even in 2013, more than 52,000 North Korean workers get paid for their work at the KIC. The number of North Korean workers has increased every year until 2013 with a slight decrease of the number of North Korean workers due to the shut-down for more than five months.
### Number of Companies Operating in the KIC and Production Volume

<table>
<thead>
<tr>
<th>Type</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Companies</td>
<td>18</td>
<td>30</td>
<td>65</td>
<td>93</td>
<td>117</td>
<td>121</td>
<td>123</td>
<td>123</td>
<td>123</td>
<td>-</td>
</tr>
<tr>
<td>Production Volume</td>
<td>1,491</td>
<td>7,373</td>
<td>18,478</td>
<td>25,142</td>
<td>25,648</td>
<td>32,332</td>
<td>40,185</td>
<td>46,950</td>
<td>22,378</td>
<td>223,213</td>
</tr>
</tbody>
</table>

Source: Ministry of Unification.

### Number of Workers in the KIC

<table>
<thead>
<tr>
<th>Type</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Korean Workers</td>
<td>6,013</td>
<td>11,160</td>
<td>22,538</td>
<td>38,931</td>
<td>42,561</td>
<td>46,284</td>
<td>49,866</td>
<td>53,448</td>
<td>52,329</td>
</tr>
<tr>
<td>South Korean Workers</td>
<td>507</td>
<td>791</td>
<td>785</td>
<td>1,055</td>
<td>935</td>
<td>804</td>
<td>776</td>
<td>786</td>
<td>757</td>
</tr>
<tr>
<td>total</td>
<td>6,520</td>
<td>11,951</td>
<td>23,323</td>
<td>39,986</td>
<td>43,496</td>
<td>47,088</td>
<td>50,642</td>
<td>54,234</td>
<td>53,086</td>
</tr>
</tbody>
</table>

What does these figures have political meanings? It is difficult to simply say the political implications of these statistics. The simple interpretation is that 52,400 North Korean workers communicated with South Korean workers or worked at the South Korean companies in 2013. Although their direct communication with South Korean workers has been limited, North Korean workers are exposed to the capitalist market system. They get paid, learn how to negotiate with the companies for their wages, and observe the capitalist process of producing goods.

The KIC becomes important for local residents. It may affect the identity or perceptions of local residents. North Korean workers may communicate with their families. North Korean workers may talk about their everyday experience at the KIC to their family.
members. The rest household members may learn from their conversations and see what their family member is doing and how he or she is being treated at the KIC. So if there are four members in each household, the number of North Koreans who are exposed, directly or indirectly, to South Korean business and market system can be estimated as around 210,000. But it must be acknowledged that this may overestimate the consequences because North Korean workers are selected by the North Korean government and always being under surveillance.

The closure and reopening of the KIC in 2013 may provide North Korean workers for opportunities that may facilitate the understanding of North Korean workers about a production process at the KIC. Given the uncertainty of the reopening of the KIC, North Korean works must have been requested to work at local collective farms. In the case, they could easily figure out their working environment at the KIC was much better than their newly assigned working place. According to South Korean workers, some former North Korean workers confessed in person that they appreciate it that they have an opportunity to work at the KIC again.

The North Korean regime also gets accustomed to the market system. At the beginning of the KIC establishment, North Korea intended to rotate North Korean workers at the KIC. However, the North Korean leaders seemed to understand that North Korean workers who already worked at the KIC are likely to figure out the strength and weaknesses of the North Korean economic and political systems. So the North Korean officials were reluctant to assign the former KIC workers to other local farms. In other words, the closure
of the KIC might be an opportunity for North Korean workers and officials to understand what the KIC meant to them.

The KIC has also shrunk the time space between the two Koreas. Through the West Coast Corridor, South Korean cars, buses, trucks crossed borders 1,177,594 times between 2003 and 2013. Until Chung Ju-Young crossed the border for the first time as an ordinary citizen in 1998 it took the half century after the division. However, any cars crossed borders 682 times per working day in 2012 and about 29 cars crossed borders every hour. For ordinary South Koreans, the KIC opened the long-standing impermeable border.

<table>
<thead>
<tr>
<th>Types</th>
<th>'03~'05</th>
<th>'06</th>
<th>'07</th>
<th>'08</th>
<th>'09</th>
<th>'10</th>
<th>'11</th>
<th>'12</th>
<th>'13</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Coast Corridor</td>
<td>110,334</td>
<td>94,506</td>
<td>143,450</td>
<td>183,085</td>
<td>145,802</td>
<td>166,181</td>
<td>162,848</td>
<td>177,211</td>
<td>110,000</td>
</tr>
<tr>
<td>East Coast Corridor</td>
<td>76,923</td>
<td>29,406</td>
<td>40,053</td>
<td>25,077</td>
<td>2,534</td>
<td>2,140</td>
<td>397</td>
<td>16</td>
<td>294</td>
</tr>
<tr>
<td>Total</td>
<td>187,257</td>
<td>123,912</td>
<td>183,503</td>
<td>208,162</td>
<td>148,336</td>
<td>168,321</td>
<td>163,245</td>
<td>177,223</td>
<td>110,294</td>
</tr>
</tbody>
</table>

The KIC also has implications for military and security concerns. In building and maintaining the KIC, the two Koreas should have agreed that no side would exploit the KIC for the military purpose. North Korea’s 6th division relocated 10-15 Kilometers back to North such that Seoul is now out of the range of the immediate attack of the 6th division. It has a symbolic implication that the KIC changed a North Korean army station. In the other hand, North and South military authorities with the United Nations Command (UNC) should take care of the KIC workers’ security. In order to do so, they should hold a series of talks, exchange information, and deepen and widen their understanding of the others’ needs.
and concerns. Because most South Korean workers commute, they are changing the space with which South Korean military authorities should be concerned.

The KIC has created a new social and economic border of inter-Korean relations. Borders are not only physical demarcation lines but also spaces in which interests and security of South Koreans should be protected from any threats. North and South Koreas have national interests, which may be in common or can be coordinated, in the KIC. Thus, military authorities should be cautious if they want to project their military power to the KIC. This might affected the decision that the South Korean government imposed an sanction in response to the Cheonan incident instead of military retaliation and the North Korean authorities did not send their army to control the KIC.

The KIC has continued for about a decade. The two Koreas have collaborated for the economic development and often come into conflict due to political and security issues. Thus, it is very difficult to evaluate success or failure of the KIC to facilitate inter-Korean cooperation. However, it must be apparent that the KIC changed an image of border. For South Koreans, the KIC became conceived of the frontier of communicating and meeting. At the local level, North Korean workers and South Korean workers construct and deconstruct their image of the others. Lastly the authorities of the two Koreas became cautious when they review military alternatives in a situation of crisis.

**Conclusion**

The study has explores what impact the KIC has put on inter-Korean relations using the lessons from the studies of borders and geopolitics. It is too early to tell whether the KIC
has been successful in the development of economic collaboration between the two Korea. The achievement of the KIC may not meet up to the functionalist expectation, but the KIC has played important roles in opening the border that has been firmly closed for more than 50 years.

The KIC may be considered the space of experiments of interaction at the multiple layers by multiple actors. It may also extend the frontier of South Koreans’ perceived border into the North Korean territory. Since Chung Ju-Young’s visit with a herd of cattle in 1998, the time span that North and South Koreans meet and interact has dramatically shrunk so that about two cars cross border every hour and North and South Korean workers work together in the same space. Because the two Koreas have common interests in the KIC, they become more cautious to project military power to it.

The KIC have institutionalized the principles and practices of interaction among the two Koreas for the past ten years. There are many issues, including the stabilization and standardization of legal framework and internationalization of business practices, to be resolved to draw more foreign investment to the KIC. However, it is clear that it is much more difficult to establish a new institution of interaction among the two Koreas than to maintain the existing one. The KIC has shrunk time space, cost space, and social space; it has intensified interactions of the two Koreas; it has also extended the cognitive borderline of North and South Koreans. That is why we need to pay more strategic attention to the roles of the KIC in inter-Korean relations as a borderland and experimental place for the identity (de)construction as well as unification of the two Koreas.
References


