

THE LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON FOREIGN INVESTMENT

Adopted by Resolution No. 17 of the Standing Committee of the Supreme People's Assembly on October 5, 1992, and amended by Decree No. 484 of the Presidium of the Supreme People's Assembly on February 26, 1999

Article 1. It is a consistent policy of the DPRK to expand and develop economic cooperation with other countries.

The State encourages foreign investors to invest in the territory of the DPRK on the principles of complete equality and mutual benefit.

Article 2. This Law is the basic law relevant to foreign investment which stipulates the general principles and rules for the protection of the investments of the foreign investors and for the guarantee of the legal rights and interests of the foreign-invested businesses.

A foreign investor is a corporate body or an individual of a foreign country that invests in the territory of the DPRK.

Foreign-invested businesses shall include foreign-invested enterprises, which may be a contractual or equity joint venture enterprise or a wholly foreign-owned enterprise, and foreign enterprises that are set up in the territory of the DPRK.

A contractual joint venture is a form of business activity in which investors from the DPRK and a foreign country jointly invest, the management is assumed by the partner from the host country and, depending on the provisions of the contract, the portion of the investment made by the foreign investor is redeemed or the share of the profits to which the foreign investor is entitled is distributed to him.

An equity joint venture is a form of business activity in which investors from the DPRK and from a foreign country invest jointly, operate the business jointly, and profits are distributed to the investors in accordance with the shares of their investment.

A wholly foreign-owned enterprise is a business enterprise in which a foreign investor invests and manages on his own account.

A foreign enterprise is an institution, enterprise, individual or other economic organizations from foreign countries with a source of income in the territory of the DPRK.

Article 3. A foreign investor shall be permitted to set up and operate an equity or contractual joint venture within the territory of the DPRK and a wholly foreign-owned enterprise in the Rason economic and trade zone.

Article 4. The State shall guarantee the legal rights and interests of foreign investors and foreign-invested businesses, as well as the conditions of their management activities.

Article 5. Institutions, enterprises, individuals and other economic bodies of foreign countries shall be permitted to invest within the territory of

the DPRK.

Overseas Korean compatriots shall also be allowed to invest within the territory of the DPRK, subject to the relevant laws and regulations.

Article 6. A foreign investor shall be allowed to invest in various sectors such as industry, agriculture, construction, transport, telecommunications, science and technology, tourism, commerce and financial services.

Article 7. The State particularly encourages investment in sectors that introduce modern technologies including the high technology, sectors that produce internationally competitive goods, the sectors of natural resources development and infrastructure construction, and the sectors of scientific research and technology development.

Article 8. Those foreign-invested enterprises that invest and operate in priority sectors stipulated in the previous Article shall receive preferential treatment, including the reduction of and exemption from income and other taxes, favourable conditions for land use, and the preferential supply of bank loans.

Article 9. Those foreign-invested enterprises that are established in the Rason economic and trade zone shall receive preferential treatments as follows:

1. No customs duty shall be levied on export and import goods other than those items that are prescribed by the State.

2. For an enterprise in a production sector, no income tax shall be payable for 3 years from the first profitable year and income tax may be reduced by up to 50per cent for the following 2 years.

The rate of income tax shall be 14per cent, which is lower than in the other areas.

Article 10. The State shall ensure that the relevant institutions make convenient the immigration formalities and methods for foreign investors entering or leaving the country with the purpose of setting up or operating business enterprises in the Rason economic and trade zone.

Article 11. Investment shall be prohibited or restricted in those projects which hinder the development of the national economy or endanger the national security, or which are technically obsolete and harmful to the environment.

Article 12. A foreign investor may invest in the form of currency, property in kind, industrial property rights, technical know-how and other assets and property rights. The value of assets and property rights invested shall be determined through an agreement between the partners on the basis of the international market prices prevailing at the time of the valuation.

Article 13. Foreign-invested enterprises shall be permitted to open branch offices, representative offices or agencies and to establish subsidiaries in the DPRK or other countries. They shall also be permitted to conduct joint operations with companies in other countries.

Article 14. Equity or contractual joint venture enterprises and wholly

foreign-owned enterprises shall become corporate bodies of the DPRK. Foreign enterprises and their branches, agencies and representative offices that are set up within the territory of the DPRK shall not become corporate bodies of the DPRK.

Article 15. The State shall lease the land required for foreign investors and the establishment of foreign-invested enterprises for a maximum period of 50 years.

Land so leased may be transferred or inherited during the period of lease with an approval of the relevant organ.

Article 16. A foreign-invested business shall employ its labour force from the host country. Managerial personnel, technicians and skilled workers for special jobs that are prescribed in the contract may be employed from abroad in agreement with the central trade guidance organ.

Labour force of DPRK shall be employed or dismissed according to a contract made with the relevant labour service agency.

Article 17. Foreign investors and relevant foreign-invested businesses shall pay income tax, turnover tax, property tax and other taxes.

Article 18. Foreign investors shall be permitted to reinvest the whole or part of their profit within the territory of the DPRK.

In such cases the whole or part of the income tax already paid on the reinvested portion may be refunded.

Article 19. Foreign-invested enterprises and assets invested by foreign investors shall not be subject to nationalization or seizure by the State.

Should unavoidable circumstances make it necessary to nationalize or seize such enterprises and assets, fair compensation shall be paid.

Article 20. Legal profit and other incomes earned by a foreign investor in its business activities and any money that remains after the liquidation of the business may be remitted abroad, subject to the laws and regulations of the DPRK relating to foreign exchange control.

Article 21. The State shall protect by law the managerial secrets of foreign-invested enterprises and shall not disclose them without prior agreement with the foreign investor.

Article 22. Any disagreement concerning foreign investment shall be settled through consultation.

In case of failure in consultation, it shall be settled by arbitration or legal procedures provided by the DPRK or may be brought to an arbitration agency in a third country for settlement.