

THE LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON CONTRACTUAL JOINT VENTURE

Adopted by Resolution No.18 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. The Law of the Democratic People's Republic of Korea on Contractual Joint Venture shall contribute to expanding and developing economic cooperation and technical exchange between the DPRK and other countries.

Article 2. A contractual joint venture is a form of business in which investors from the DPRK and from a foreign country invest jointly, production and management is carried on by the DPRK partner, and the investment of the foreign investor is redeemed or the share of the profits is distributed to the foreign investor in accordance with the provisions of the contract.

Article 3. Contractual joint ventures shall be established primarily in sectors producing exportable goods and goods made by using advanced technology, and may be established also in tourism and the service sectors.

Article 4. The State shall encourage foreign investors to bring in state-of-the-art equipment and technology or to invest in sectors producing internationally competitive goods.

Article 5. Investments in the form of a contractual joint venture shall be made in principle in the Rason economic and trade zone. In case of need, it may be set up in other parts of the DPRK.

Article 6. The State shall grant preferential treatments such as reduction or exemption from tax and favourable conditions for land use to contractual joint-venture enterprises in priority projects or those to which an overseas Korean compatriot is a party or those established within a specified area of the DPRK.

Article 7. Institutions, enterprises or organizations of the DPRK wishing to run a contractual joint venture shall, after consultation with the relevant bodies and the conclusion of the joint-venture contract with foreign investors, submit to the central trade guidance organ an application for the establishment of a contractual joint-venture enterprise, accompanied with the memorandum of association, a copy of the contract, a feasibility study report and so on.

The central trade guidance organ shall approve or reject the application within 50 days from the day of its submission.

Article 8. The registration of a contractual joint-venture enterprise shall be made at the People's Committee either of the province (or municipality directly under central authority) where the enterprise is to be located or of Rason City within 30 days from the day when the approval is given for its

establishment.

The date of its registration shall be the inauguration day of the contractual joint-venture enterprise.

The contractual joint-venture enterprise shall, within 20 days after its registration, register itself for tax purpose at the relevant financial institution.

Article 9. A contractual joint-venture enterprise shall obtain a business license before conducting its business activities.

The central trade guidance organ or the Peoples Committee of Rason City shall license the business activities of a contractual joint-venture enterprise and issue its business license.

If a contractual joint-venture enterprise wishes to increase or change the categories of its business, it shall obtain an approval from the relevant institution which has approved its establishment.

Article 10. A joint-venture partner may transfer or transmit its share of contribution to a third party with the approval of the relevant institution which has approved its establishment after reaching an agreement with the other partner.

Article 11. A contractual joint-venture enterprise shall employ labour from the DPRK.

Some management personnel, technicians and skilled workers for special jobs who have been listed in the contract may be employed from foreign countries. In such a case, the contractual joint-venture enterprise shall reach an agreement with the central trade guidance organ.

Article 12. A joint-venture enterprise shall be allowed to import materials for use in production and management and to export goods it produces.

Article 13. The repayment of the investment or the distribution of profit to the foreign investor shall be made primarily with goods produced by the joint-venture enterprise, and may be made also in such other ways as are agreed between the two partners.

Article 14. If it is provided for in the joint-venture contract, goods produced and revenues earned by the joint-venture enterprise may be used first for repayment of the invested capital or distribution of profit.

Article 15. Any legal profit and other incomes earned by the foreign investor from the contractual joint venture may be remitted abroad, subject to the laws and regulations of the DPRK on foreign exchange control.

Article 16. The partners to a joint venture shall be allowed to organize a non-permanent body for joint consultation.

The body shall examine important matters concerning the operation of the venture, such as introduction of new technology, improvement of product quality and reinvestment.

Article 17. A joint-venture enterprise shall undertake settlement of accounts on a monthly, quarterly, and yearly basis.

The joint-venture enterprise shall submit its financial statements to the

relevant body and undergo supervision by the financial body in a specified manner.

Article 18. When the profit is distributed under the contract, a contractual joint-venture enterprise shall be required to pay tax as stipulated in the laws of the DPRK.

Article 19. In cases where either of the joint-venture partners fails to fulfil its duties as stipulated in the contract, making it impossible to operate the joint-venture enterprise, the enterprise may, after the mutual consent, be wound up with the approval of the organ that has approved the establishment of the contractual joint-venture enterprise. Any resultant losses shall be sustained by the partner that failed in its duties.

Article 20. A joint venture shall be terminated when the period of contract expires.

When the contract term expires or the business is wound up before the expiration of the contract, the enterprise shall settle its debts and credit accounts and go through the formalities for canceling its registration according to the relevant laws and regulations.

In cases where they wish to continue to run the contractual joint venture even after the expiry of the period of contract, the partners shall obtain an approval of the organ that has approved its establishment not later than 6 months before the expiration of the term of the contract.

Article 21. Any disagreements concerning the joint venture shall be settled through mutual consultation.

If it is impossible to solve disputes after consultation, they shall be settled by arbitration or legal procedures prescribed by the DPRK.