

THE LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON WHOLLY FOREIGN-OWNED ENTERPRISES

Adopted by Resolution No. 19 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

Chapter 1. Fundamentals

Article 1. The Law of the Democratic People's Republic of Korea on wholly foreign-owned enterprises is intended to ensure establishment and operation of foreign enterprises within the Rason economic and trade zone, and to expand and promote economic cooperation and exchange with other countries over the world.

Article 2. A wholly foreign-owned enterprise is an enterprise that a foreign investor set up an enterprise by investing full amount of capital required for its operation and runs independently.

Article 3. Foreign investors may establish and run enterprises in the electronics industry, automation industry, machine-building industry, food-processing industry, clothing industry, daily-necessities industry, transport, service industry and other industries.

No enterprise that might threaten the national security or which is technically backward shall be established.

Article 4. The State shall protect by law the capital invested by foreign investors and their income from their business activities.

Article 5. Foreign investors shall respect and strictly observe the laws and regulations of the DPRK and shall not hinder the development of the national economy of the DPRK.

Article 6. This law shall be applied in the Rason economic and trade zone.

Chapter 2. Establishment of Wholly Foreign-Owned Enterprises

Article 7. A foreign investor who wishes to establish an enterprise in the DPRK shall submit an application for the establishment of an enterprise to the central trade guidance organ through consultation with the relevant organs.

The application shall be accompanied by all documents required for its examination and approval, including the memorandum of the enterprise, a feasibility study report and a document certifying the creditability of the investor's capital.

Article 8. The central trade guidance organ shall make a decision on

the approval or refusal of the establishment of an enterprise, within 80 days from the day of receipt of the application.

Article 9. A foreign-investor shall, within 30 days of the approval, register the enterprise at the Rason City People's Committee.

The date of registration shall mark the date of the establishment of the enterprise.

A wholly foreign-owned enterprise shall, within 20 days of its registration, complete its tax registration at the financial organ in the area of its location.

Article 10. With the approval of the Cabinet, a wholly foreign-owned enterprise may establish branches, representative offices, agencies and subsidiaries in the DPRK or other countries and conduct joint operations with companies in other countries.

Article 11. A foreign investor may entrust any construction required for the establishment of the enterprise to a construction enterprise in the DPRK.

Article 12. A foreign investor shall make an investment within the period stated in the approved application for the establishment of his enterprise.

If investment within the fixed period is impossible due to unavoidable circumstances, it may be extended, with the approval of the organs concerned.

Article 13. Where a foreign investor fails to make an investment within the fixed period for no good reason, the central trade guidance organ may abrogate the approval of the application.

Chapter 3. Business Activities of Wholly Foreign-Owned Enterprises

Article 14. A wholly foreign-owned enterprise shall conduct business activities in accordance with the memorandum of enterprise endorsed.

If the wholly foreign-owned enterprise wishes to increase or change categories of business, it shall obtain an approval from the organ that has approved its establishment.

Article 15. A wholly foreign-owned enterprise shall submit its production import and export plans to the Rason City People's Committee with which it has been registered.

Article 16. A wholly foreign-owned enterprise may obtain in the DPRK or from abroad, the materials it needs in its business activities, and either export its products or sell them in the DPRK.

Article 17. A wholly foreign-owned enterprise shall, in principle, purchase raw and other materials and equipment from the DPRK and sell its products to the DPRK through the foreign trade agencies of the DPRK.

Article 18. A wholly foreign-owned enterprise shall open an account at the Foreign Trade Bank of the DPRK.

A wholly foreign-owned enterprise may, on agreement with the DPRK foreign exchange control organ, open an account at other banks in the DPRK

or at banks abroad.

Article 19. A wholly foreign-owned enterprise shall keep its financial and accounting documents in its seat and conduct its management calculation in accordance with the regulations of the DPRK on bookkeeping and accounting in wholly foreign-owned enterprises.

Article 20. A wholly foreign-owned enterprise shall employ the labour of the DPRK.

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

Article 21. Employees of a wholly foreign-owned enterprise shall be permitted to form a trade union.

The trade union shall protect the rights and interests of the employees in accordance with the laws and regulations of the DPRK on labour, conclude a contract concerning working conditions with the wholly foreign-owned enterprise and supervise its implementation.

A wholly foreign-owned enterprise shall provide conditions for the activities of the trade union.

Article 22. A wholly foreign-owned enterprise may reinvest lawful profits from its business activities or remit them abroad, in accordance with the laws and regulations of the DPRK relating to foreign exchange control.

Article 23. Should a wholly foreign-owned enterprise require insurance, it shall be insured in the DPRK.

Article 24. A wholly foreign-owned enterprise shall pay tax as stipulated in the relevant laws.

Article 25. No customs duty shall be levied either on materials that a wholly foreign-owned enterprise brings in for its production and management activities or on products, which it exports.

Article 26. A wholly foreign-owned enterprise may increase the registered capital.

Should a wholly foreign-owned enterprise wish to transfer its registered capital to another enterprise, it shall obtain approval of the organ that has approved its establishment.

A wholly foreign-owned enterprise shall not reduce its registered capital during its existence.

Article 27. The central trade guidance organ and financial organ may inspect and supervise investment and tax payment by a wholly foreign-owned enterprise.

Chapter 4. Dissolution of a Wholly Foreign-Owned Enterprise and Settlement of Disputes

Article 28. A wholly foreign-owned enterprise shall be dissolved when

the approved period of its operation expires.

Should a foreign investor wish to dissolve the enterprise before its expiry or extend its duration, approval of the organ that has approved its establishment shall be obtained.

Article 29. Should a foreign investor or a wholly foreign-owned enterprise violates this law, the central trade guidance organ and other organs concerned, in accordance with the extent of the violation, shall suspend its business or dissolve it or impose a fine upon it.

Article 30. Should a wholly foreign-owned enterprise be dissolved or go bankrupt, the foreign investor shall file its dissolution or bankruptcy with the Rason City People's Committee with which the enterprise was registered.

The assets of a wholly foreign-owned enterprise shall not be disposed of at will until the liquidation procedures have been completed.

Article 31. All disputes concerning a wholly foreign-owned enterprise shall be settled through consultation. In case of failure to settle them through consultation, they shall be settled by arbitration or legal procedures provided by the DPRK.