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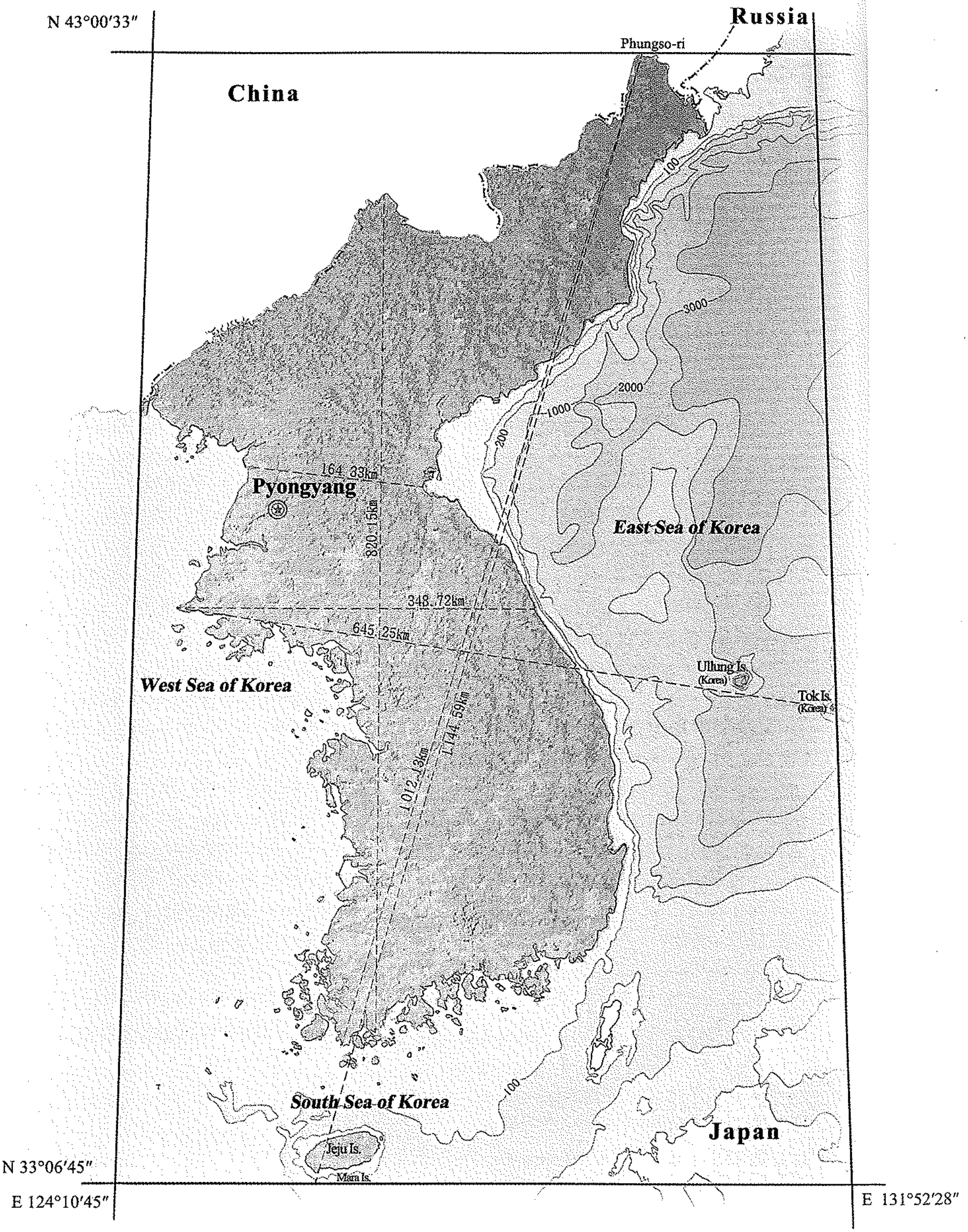

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South Sea of Korea
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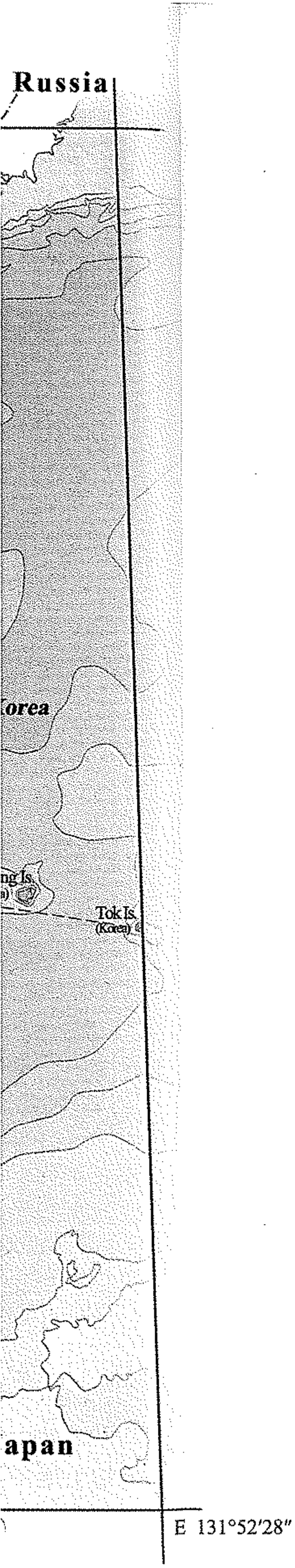


Chapter 1
Review of the DPRK

Chapter 1 Review of the DPRK

1. Nature and Geography

1.1 Geographical Position

The DPRK is situated in the east of the Eurasian continent between long. 124° 10′ 45″ E and long. 131° 52′ 28″ E and between lat. 33° 06′ 45″ N and lat. 43° 00′ 33″ N.

It is bounded on the north by China and Russia across the Amnok and Tuman rivers, faces Japan to the east across the East Sea of Korea and the coastal areas in eastern China to the west across the West Sea of Korea.

It is in the centre of such countries with large populations and vast territorial areas as China, Russia and Japan, thereby being connected to a huge consuming market with the population of over 600 million with a radius of 1 000km.

1.2 Time Zone

Korea uses the local time in the meridian of 127° 30′ E as its standard time, that is GMT plus eight and half hours.

1.3 Land

Korea is composed of the Korean peninsula and 3 450 big and small islands around it. It has an area of 223 935㎢, among which the peninsula occupies 218 106㎢ and a total area of the islands is 5 829㎢.

The northern half of Korea occupies 123 138㎢ in area and southern half 100 797㎢.

1.4 Seas and Rivers

Korea is encircled by the East, West and South seas of Korea that are classified by their geographical positions, topographic and oceanographic features.

Significant rivers with a length of more than 400 km are the Amnok, Tuman, Taedong, Raktong and Han, called the five great rivers in Korea from olden times.

1.5 Topography and Climate

The mountain area of Korea accounts for 80% of the land, and it has a ramified network of rivers and long coastlines as it is seabound on three sides.

It has a temperate monsoon climate with clear distinctions of four seasons and its annual average temperature is 10°C.

The average temperature in January (the coldest): 8°C below zero

The average temperature in August (the hottest): 21°C

The annual average precipitation: 1 000 – 1 200 mm

The annual sunshine: 2 280 – 2 780 hr

2. Population, Administrative Districts and Capital

2.1 Population

The DPRK has a population of 24 890 000 (2014).

2.2 Administrative Districts

The DPRK has nine provinces and three municipalities directly under the central authority.

Provinces: South and North Phyongan, South and North Hwanghae, South and North Hamgyong, Jagang, Ryanggang and Kangwon provinces

Municipalities directly under the central authority: Pyongyang, Rason and Nampho

2.3 Capital

The capital of the Democratic People's Republic of Korea is Pyongyang. Its area is about 1 752㎢ and it has a population of 3 160 300 as of 2014.

3. Natural and Tourist Resources

3.1 Underground Resources

Korea is rich in mineral resources, about 400 kinds of minerals, and more than 200 of them are of great economic value.

Typical of them are such ferrous and nonferrous metals as iron, tin, lead, zinc, copper, silver, gold, tungsten and molybdenum, and nonmetallic minerals, including coal, limestone, magnesite and graphite. The country is a leading deposit of graphite and magnesite.

There are many water resources, including spas and hot springs with health-promoting properties and other springs of high quality.

3.2 Fauna and Flora

It is known as of 2013 that there are 8 465 species of mammals, among which are 1 434 species of vertebrate animals—97 species of animals, 394 species of birds, 27 species of reptiles, 14 species of amphibians, over 850 species of fish and so on—and such invertebrate animals as squids, shellfish, crabs, shrimps, insects, trepangs, sea urchins and others.

Found in Korea are 9 548 species of plants, including 4 280-odd species of higher plants, 5 268 species of lower plants, among which are some 800 endemic species.

There are more than 2 170 species of economic plants—over 100 species for the production of timber, 900 species of medicinal plants, 300 species of edible plants, 30, 60 and 100 species of plants for the production of wild fruits, spices and fiber respectively, 50 species of oil-bearing plants, and 300 species of ornamental plants.

3.3 Tourist Resources

Korea abounds in tourist resources. It is blessed with celebrated mountains like Mts Paektu, Kumgang, Myohyang, Chilbo and Kuwol, which boast distinctive sceneries presented by picturesque mountains and valleys, and other scenic spots in the coastal regions, like Lagoon Samil, Sea Chilbo, Sea Kumgang and Songdowon.

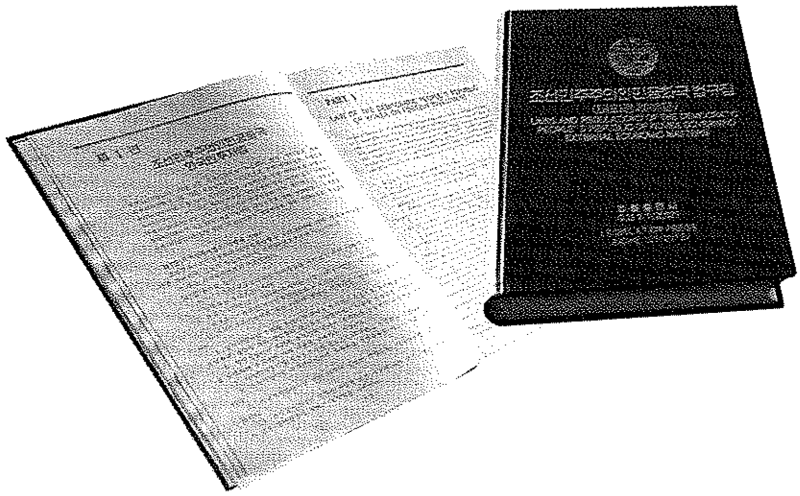
It has a lot of historical sites and relics showing a time-honoured history of

Korea spanning five thousand years, including the Mausoleum of King Tangun, founder of the Korean nation, the Mausoleum of King Tongmyong, founder of Koguryo, the Mausoleum of King Wang Kon, founder of Koryo, and other ancient tombs, remains of the Walled City of Pyongyang and Taesongsan Fort, and historical relics such as the site of Anhak Palace and the Pohyon Temple.

Also found in scenic spots of the country are Masikryong Ski Resort that opened to public in 2013, golf courses, bathing beaches, amusement and water parks, and other resorts for sports and recreation, cultural and leisure activities.

Chapter 2
Foreign Investment Policy of the DPRK

1. Foreign Investment Policy
2. Encouraged and Allowed Sectors and Support Policy of Foreign Investment
3. Restriction and Prohibition of Foreign Investment



Chapter 2 Foreign Investment Policy of the DPRK

1. Foreign Investment Policy

It is the consistent policy of the Democratic People's Republic of Korea to develop and expand economic cooperation and exchanges with many countries of the world that respect its national sovereignty and are friendly to it, on the principle of equity and mutual benefit under the ideal of independence, peace and friendship.

The foreign investment policy pursued by the DPRK aims at attracting investments needed to introduce advanced technologies and develop the country's economy while consolidating the foundations of the independent national economy, and improve the people's standard of living.

2. Encouraged and Allowed Sectors and Support Policy of Foreign Investment

Foreign investors are allowed to invest in various sectors such as industry, agriculture, construction, transport, communications, science and technology, tourism, commerce and financial services of the DPRK in different modes.

The sectors that are particularly encouraged and given preferential treatment by the State are stipulated in the laws on foreign investment, equity joint venture, contractual joint venture, wholly foreign-owned enterprises and other investment-related laws and regulations.

The DPRK particularly encourages investment conducive to the introduction of high technologies, construction of infrastructure facilities, scientific research and development of technology and manufacturing of internationally competitive goods. Foreign-invested enterprises that invest in the encouraged sectors shall enjoy such benefits as reduction and exemption of income tax and other taxes, favourable conditions of land use and preferential bank loans.

The State ensures that foreign-invested businesses that are set up in the special economic zones are provided with preferential conditions for business activities in such areas as purchase, bringing-in and taking-out of materials, marketing of products, employment of labour, payment of taxes and land use.

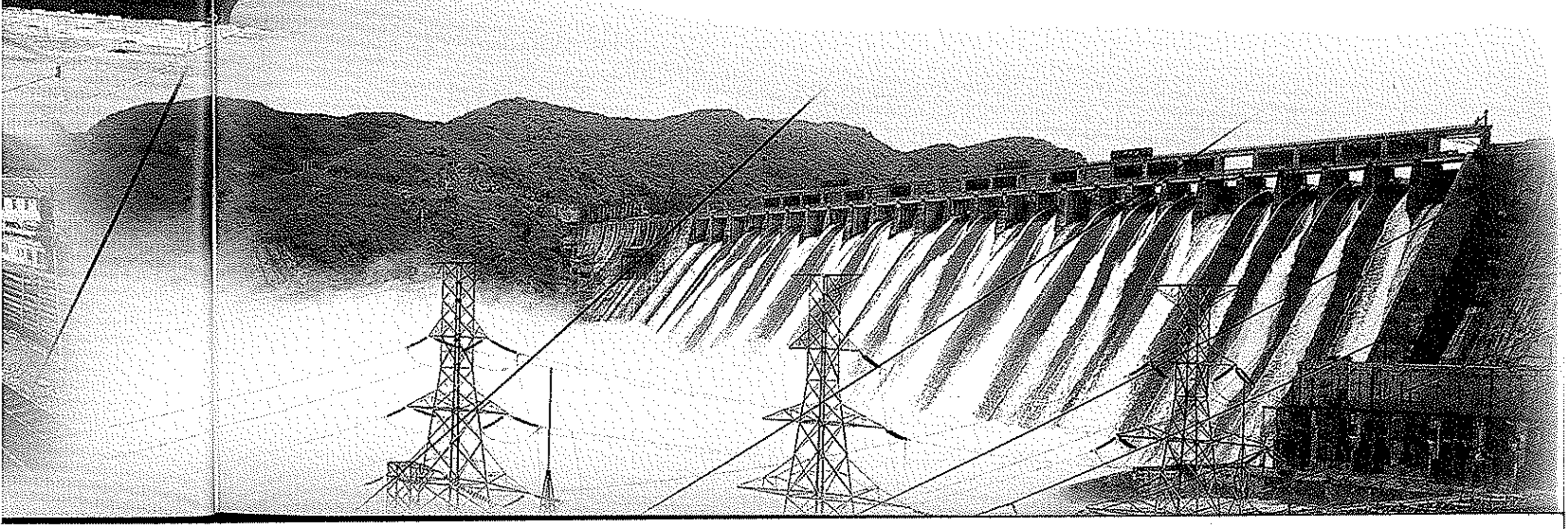
The DPRK protects by law the property invested by foreign investors, their interests and legal incomes earned by investment activities, and the invested properties shall be neither nationalized nor expropriated.

3. Restriction and Prohibition of Foreign Investment

The DPRK restricts or prohibits the following projects in foreign investment:

- Projects that are detrimental to national security, public health and healthy social and moral life;
- Projects for the purpose of exporting unprocessed natural resources;
- Projects that violate the environmental protection criteria;
- Projects that are technically outdated;
- Projects with low economic efficiency; and
- Projects in service sectors, such as restaurants and shops

Chapter 3
Investment-related Environment of the DPRK



Chapter 3 Investment-related Environment of the DPRK

The DPRK has a highly stabilized socio-political environment, independent national economy with solid material and technological foundations and great potentialities, favourable geopolitical position, abundant natural resources, human resources, talented, hard-working and competitive, and relatively perfect investment-related legal system. Therefore, it is becoming an attraction of investors from many countries of the world.

1. Socio-political Environment

The Democratic People's Republic of Korea was founded on September 9, 1948.

Established in the DPRK, which holds fast to Kimilsungism-Kimjongilism as its one and only guiding idea, is an advantageous people-centred socialist system in which people are masters of everything and everything serves them.

Its socio-political environment is stabilized and solid, as the entire people are united single-heartedly around the respected Kim Jong Un and form a great, harmonious family in which all help and lead one another forward.

All the people enjoy the benefits of the universal 12-year free compulsory education and free medical care thanks to the people-oriented policy of the State. They are also given houses from the State free of charge and choose occupations according to their hopes and aptitudes.

There are neither antagonism and contradiction between religious and political groups, regions and classes, nor unemployment, strikes and sabotages.

2. Economic Environment

2.1 Economic Review

The DPRK has a socialist planned economy solidly based on the socialist ownership of the means of production and independent national economy.

The means of production are owned by the State and cooperative organizations.

The State works out national economic plans and implements them so as to expedite economic construction, steadily improve the people's standard of living and strengthen the military capabilities by maintaining the balance between accumulation and expenditure in accordance with the law of the socialist economic development.

It is granting to factories and enterprises relative independence in management on the principles of equipping the overall economy with modern techniques, further consolidating the foundations of the independent national economy and gaining maximum benefits in economic work, and improving the Korean-style methods of economic management in this regard.

At present the DPRK is exerting all its efforts to building an economically developed nation.

It has put forward it as a strategic line to make the national economy Juche-oriented, modern, IT-based and scientific on a high level by keeping up the spirit of self-reliance and self-development and science and technology and to provide the people with affluent and civilized living conditions.

To this end it is striving to ensure the domestic production of raw materials, fuel and equipment, equip itself with a many-sided and comprehensive economic structure capable of satisfying the material demands arising in economic development and the people's living by domestic production and improve and perfect it on a constant basis. Along with this, it is pushing ahead with the industrial revolution in the new century to upgrade the overall national economy with modern technology and put all sectors on the cutting-edge level. It is also promoting external economic relations with many countries of the world that respect its national sovereignty and are friendly to it, while establishing economic development and international tourist zones as suited to actual conditions in various parts of the country, providing them with favourable environment and conditions for investment and development.

2.2 Infrastructure

The DPRK has relatively developed infrastructure such as electricity and water supplies, roads and railways, communications, and ports linked to international markets.

Economic Statistics (2013)
GDP: US$ 24 998 000 000
Industry: 41.36%
Agriculture: 12.65%
Construction: 13.51%
Others: 32.48%
GNP per capita: US$ 1 013

2.2.1 Electricity

Major energy sources are coal and water.

National power-generating capacity is about 9.8 million kW, and the power generation and its supply by the hydroelectric and thermal power stations in the country account for 56% and 44% respectively.

The DPRK government is directing large-scale investment to the reconstruction of the existing hydroelectric and thermal power stations on a modern basis and construction of large hydropower plants, and channelling much effort into developing such natural energy resources as wind, geothermal and solar energy in a rational way, so as to satisfy the growing demand for electricity.

2.2.2 Traffic and Transport

– Roads

The total length of the roads in the country is about 78 700 km. Major motorways are Pyongyang-Sinuiju, Pyongyang-Nampho, Pyongyang-Kaesong, Pyongyang-Wonsan and Pyongyang-Hyangsan roads.

Road and railway networks are laid to reach all the provinces, cities, counties, ris and dongs (county seats) as well as institutions and enterprises in the country.

– Railways

Railways are a major means of transportation in the country. The total length of the railways is about 8 300 km, and the electrification of the trunk lines was completed as of 1993.

Major trunk lines are Pyongyang-Sinuiju, Pyongyang-Wonsan, Pyongyang-Chongjin and Pyongyang-Kaesong.

Railways and motorways extend to Russia and China across northern borders.

Table 1. Distance of Railways from Pyongyang to Various Parts of the Country (km)

Terminal	Distance	Terminal	Distance	Terminal	Distance
Nampho	54	Haeju	151	Chongjin	720
Phyongsong	44	Kaesong	186	Hyesan	728
Sinanju	76	Kanggye	316	Rajin	808
Jongju	124	Kowon	235	Tumangang	853
Sinuiju	225	Wonsan	270	Namyang	888
Chongsu	244	Hamhung	296		
Sariwon	61	Kilju	587		

– Air Service

Pyongyang International Airport is the country's international airport.

There are regular shuttle flights between Pyongyang and Beijing and Shenyang in China and Vladivostok in Russia and irregular flights between Pyongyang and Shanghai in China and Kuwait.

Domestic air services connect Pyongyang with such local cities as Samjiyon, Orang, Uiju, Sondok and others. Travellers may use exclusive flights between Pyongyang and local cities through bookings.

– Marine Transportation

Major trade ports are Nampho, Haeju and Songnim ports in the west, and Chongjin, Rajin, Kim Chaek, Hungnam, Tanchon, Wonsan and Sonbong ports in the east.

Nampho Port is the largest in the country, and there are regular liner services between Nampho and over ten major ports of the world.

2.2.3 Communications

Nationwide networks of communications through optical fibre cables and third-generation mobile communications system are established and internet services are provided.

There are Pyongyang-based DHL, TNT and EMS offices for express delivery.

2.3 Financial System

Financial system in the DPRK is an independent system established on the basis of the socialist ownership and aims at providing a financial guarantee for the socialist planned economy, developing the national economy and stabilizing and improving the people's living standards.

In the DPRK is established a well-regulated system of finance stretching from the capital city to the provinces, cities and counties based on the principle of ensuring the State's centralized and unified guidance over the financial sector and materializing the specialization of external financial business.

Banking and insurance systems constitute the financial system.

2.3.1 Banking System

Banking system is composed of the Central Bank, the bank of issue, commercial banks and financial companies.

– The Central Bank is a national financial guidance institution which supervises the overall monetary circulations of the country in a responsible way and provides financial guidance and control to the banks in the country. It works out strategies for executing the State's financial policy and relevant regulations, ensures guidance, supervision and control over the financial management, issues banknotes and regulates currency, controls national funds, handles foreign currencies and exchanges and settles accounts. It is, therefore, playing a pivotal role in the country's financial structure.

– There are national and local commercial banks and foreign-invested banks.

- Foreign Trade Bank, Daesong Bank, Koryo Commercial Bank, Korea Reunification Development Bank, Ilsim International Bank and other scores of banks are the national commercial banks.
- As local commercial banks there are 12 banks including Pyongyang

Municipal Bank, South and North Phyongan provincial banks and Kangwon Provincial Bank.

- Foreign-invested banks include joint-venture banks, wholly foreign-owned banks and branches of foreign banks that have permanent representatives within the territory of the DPRK.

A foreign-invested bank is a financial institution for banking business with equity and contractual joint-venture enterprises, foreign-owned and foreign enterprises and foreigners.

The Law of the Democratic People's Republic of Korea on Foreign-invested Banks adopted in 1993 allows the establishment within the territory of the DPRK of joint-venture banks with foreign investors, and joint-venture and wholly foreign-owned banks within the special economic development zones.

Joint-venture banks in the DPRK are Korea Joint Bank, Daedong Credit Bank, Daesong Credit Development Bank, Orabank, Korea-Great China People's Bank, Hana Bank, First Credit Bank and other tens of banks.

Wholly foreign-owned banks are Chinese Commercial Bank, Tumengang Bank and Taedonggang Bank.

– There are also Rason Development Financial Company, International Martial Arts Fund, Korea Lawyers Fund and other financial establishments.

2.3.2 Insurance System

Insurance system of the DPRK comprises the state insurance committee, Korea National Insurance Corporation (KNIC) and its branch offices set up in provinces, cities and counties.

The KNIC is a professional insurance organ, which conducts its activities and transacts reinsurance business with foreign reinsurance companies, strictly abiding by the insurance-related laws and provisions under the guidance of the state insurance committee.

Branch offices in provinces, cities and counties are local executive units that handle insurance affairs in the given areas under the supervision of the KNIC.

The KNIC offers services for personal insurance on life, child, personal accident and passenger, and for property insurance including fire, marine, automobile, and agricultural and compensation liability insurance. It also provides compulsory insurance services to protect the life and property of foreign individuals and businesses that have invested in the special economic zones, such as gas liability, motor vehicle third party liability and contractor's all risk liability insurance and various types of voluntary insurance in keeping with the trend of the international insurance development.

3. Socio-cultural Environment

3.1 Education

The DPRK enforces universal 12-year free compulsory education and advanced higher education, and has competent managerial and scientific and technological personnel. There are 302 universities and colleges (2014) and 155 of them are part-time colleges.

It is rich in human resources, affording foreign investors opportunities to cooperate in various economic sectors.

The country's labour population is 12 180 000 (2008).

3.2 Public Health

The DPRK is a member nation of the World Health Organization. It has introduced a universal free medical care system since 1953 and established a system of preventive medicine.

There are hospitals and clinics everywhere in the country, even in the lowest administrative units such as workers' district, ri and dong which are staffed with qualified physicians and medical workers.

There are general and specialist hospitals staffed with competent medical workers and equipped with the latest medical and other facilities in Pyongyang and other provinces.

4. Legal Environment

Article 37 of the Socialist Constitution of the Democratic People's Republic of Korea stipulates as follows: "The State shall encourage institutions, enterprises and organizations in the country to conduct equity or contractual joint ventures with foreign corporations and individuals, and to establish and operate enterprises of various kinds in special economic zones."

The DPRK adopted the law on equity joint venture in September 1984 to legalize for the first time the direct foreign investment in the form of equity joint venture. In the 1990s and from the early 2010 it amended and supplemented the law on foreign investment, basic law on foreign investment, and 50 other laws and regulations related to it, including laws on equity joint venture, contractual joint venture and wholly foreign-owned enterprises. By doing so, it has so far built legal foundations of foreign investment.

The laws related to foreign investment are developed and materialized on the basis of the DPRK's Socialist Constitution and thus constitute an independent legal sector.

Major laws related to the foreign investment are as follows:

Law of the Democratic People's Republic of Korea on Foreign Investment

Law of the Democratic People's Republic of Korea on Equity Joint Venture

Law of the Democratic People's Republic of Korea on Contractual Joint Venture

Law of the Democratic People's Republic of Korea on Wholly Foreign-owned Enterprises

Law of the Democratic People's Republic of Korea on Foreign-invested Banks

Taxation Law of the Democratic People's Republic of Korea for Foreign-invested Businesses and Foreign Individuals

Law of the Democratic People's Republic of Korea on the Registration of Foreign-invested Businesses

Accounting Law of the Democratic People's Republic of Korea for Foreign-invested Businesses

Law of the Democratic People's Republic of Korea on the Financial Management of Foreign-invested Enterprises

Labour Law of the Democratic People's Republic of Korea for Foreign-invested Enterprises

Law of the Democratic People's Republic of Korea on Land Lease

Law of the Democratic People's Republic of Korea on Economic Development Zones

There are scores of laws and regulations related to foreign investment.

The basic law of the DPRK related to foreign investment is the Law of the DPRK on Foreign Investment, which comprehensively stipulates the government policy in relation to foreign investment and other principled matters in protecting the legitimate rights and interests of foreign investors and encouraging their investment.

The DPRK encourages any legal entity or individual of a foreign country to invest in its territory in the mode of equity and contractual joint venture, and allows foreigners to establish wholly foreign-owned enterprises in special economic zones.

The Law of the DPRK on Foreign Investment stipulates in its Article 4 that the State shall protect the legal rights and interests of foreign investors and provide conditions for the operation of foreign-invested enterprises and foreign-invested banks.

The legal rights and interests of foreign investors and foreign-invested businesses are protected as follows:

First, the DPRK protects the legal rights and interests of foreign investors and foreign-invested businesses under the treaties concluded with foreign countries. The rights of a foreign-invested business to its economic and trade affairs, such as to settle business management, purchase raw and other materials and sell its goods, reside in the territory of the DPRK and engage in commercial activities with the approval of the government, participate in distribution according to the proportion of contribution and re-invest, are protected by law.

Second, the DPRK acknowledges the ownership of the property invested by foreigners and does not violate it, allows them to remit abroad legal profits and incomes they earned and protects their business secrets.

Third, the DPRK protects the right of the investors to take out of the territory without any taxes the property which had been brought therein after the duration and liquidation of business.

In recent years the DPRK has taken measures of establishing special economic zones of various types including economic development zones in provinces, and promulgated new laws and regulations for them, thereby creating legal environment more favourable for investment and management activities of foreign investors.

The DPRK government has concluded with many other countries such agreements as on encouragement and protection of investment and on prevention of double taxation with an aim of building up confidence of foreign investors in the DPRK, ensuring legal rights and interests of investors as well as their investment, and protecting overseas investment of the native enterprises.

The DPRK has concluded agreements on the promotion and protection of investments with the following countries as of late 2014.

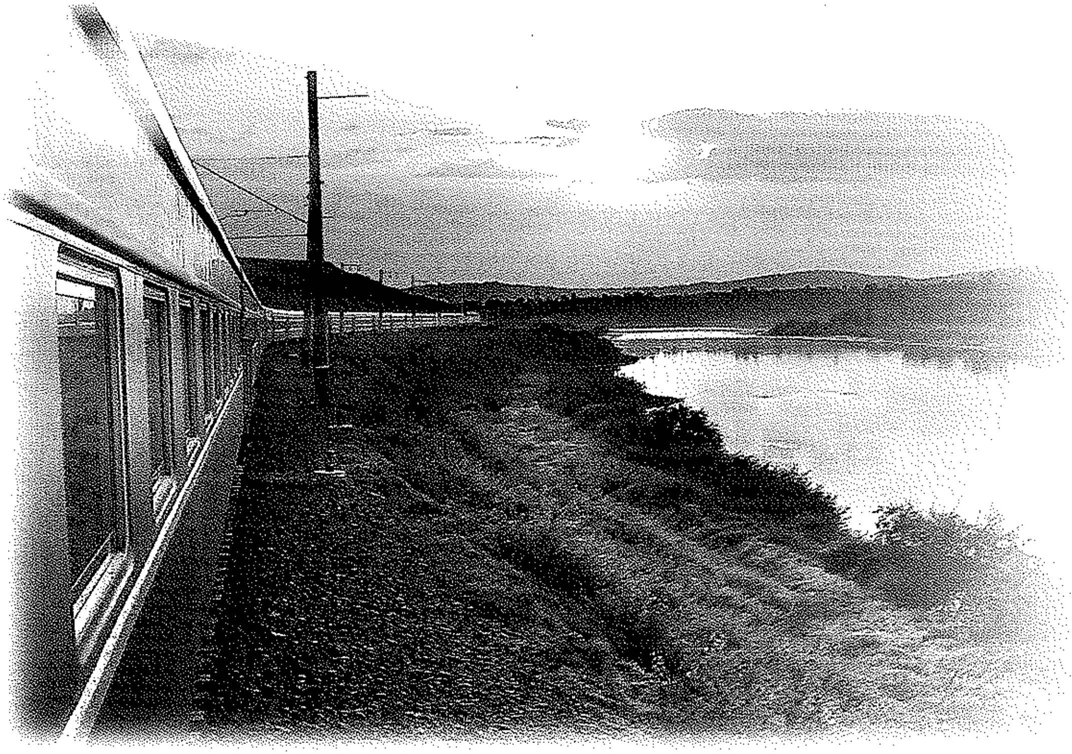
1. Nigeria
2. Denmark
3. Mali
4. Laos
5. Romania
6. Russia
7. Libya
8. Malaysia
9. Macedonia
10. Mongolia
11. Bangladesh
12. Bulgaria
13. Belarus
14. Syria
15. Switzerland
16. Slovakia
17. Singapore
18. Egypt
19. Serbia
20. Vietnam
21. Iran
22. Indonesia
23. Yemen
24. China
25. The Czech Republic
26. Cambodia
27. Thailand

The DPRK has concluded agreements on prevention of double taxation with the following countries as of late 2014.

1. Laos
2. Romania
3. Russia
4. Macedonia
5. Mongolia
6. Bulgaria
7. Belarus
8. Syria
9. Switzerland
10. Egypt
11. Vietnam
12. Indonesia
13. Serbia
14. The Czech Republic

Foreign investors and overseas Korean businesspersons may contact with the following address for detailed information on legal issues and consultations related to foreign investment.

Address: Korea External Economic Legal Consulting Office
Tel: 00850-2-381-5926
Fax: 00850-2-381-4654
E-mail:micom@silibank.net.kp



Chapter 4
Immigration Procedures

1. Procedures for Visa

2. Entry

Chapter 4 Immigration Procedures

1. Procedures for Visa

Everybody who wishes to enter the DPRK shall have either a passport for entry or internationally-acknowledged traveller's certificate.

A foreign businessperson (including an overseas Korean compatriot) or a foreign delegation wishing to visit the DPRK on social or official business shall notify the host institution, enterprise and organization of a document accounting for the purpose of entry, list of delegation members, and copies of passports and documentary evidence of the company, via e-mail or fax so as to obtain consent for invitation.

Relevant institutions, enterprises and organizations, after having received abovementioned materials and given consent to visits, shall follow due procedure for foreign businesspersons or delegations.

A foreigner with the nationality of the country that has agreed with the DPRK on abolishing visa procedures is treated as exception.

A foreign businessperson or delegation may, after being notified by an inviting organ of the completion of visa procedure, apply for a visa to the diplomatic or consular mission of the DPRK in the country concerned, or a country or a region which he has designated as the place of visa application. Fees for visa shall be charged differently on the principle of reciprocity.

Foreigners (including overseas Korean compatriots) or foreign delegations intending to visit the Rason Economic and Trade Zone on business, for tourism and personally may enter the zone without visa in case they are invited by institutions, enterprises or organizations (including companies, branch or representative offices established in the Zone) or individuals of the DPRK or they have the tourist certificates issued by the diplomatic or consular missions and representative offices of tourism of the DPRK in foreign countries.

2. Entry

Foreign businesspersons and delegations who have obtained visas may use international air routes or trains to the DPRK.

Foreign businesspersons (including overseas Korean compatriots) and foreign delegations staying in the DPRK shall cancel their registration with relevant immigration administration organ in case of exit.

The stay of foreigners shall be divided into two categories: short-term and long-term.

Short-term stay shall be up to 90 days from the date of entry and long-term stay more than 90 days.

Table 2. Timetable of International Trains from Pyongyang to Beijing via Dandong

Train No.	Route	Day	Departure	Arrival
No. 51	Pyongyang – Dandong	Mon, Tue, Wed, Thurs, Fri, Sat, Sun	10:10 (Pyongyang Time)	16:30 (Beijing Time)
No.52	Dandong – Pyongyang	Mon, Tue, Wed, Thurs, Fri, Sat, Sun	10:00 (Beijing Time)	17:45 (Pyongyang Time)
No.51	Pyongyang – Beijing	Mon, Wed, Thurs, Sat	10:10 (Pyongyang Time)	08: 30 (Beijing Time)
No.52	Beijing – Pyongyang	Tue, Thurs, Fri, Sun	17:27 (Beijing Time)	17:45 (Pyongyang Time)

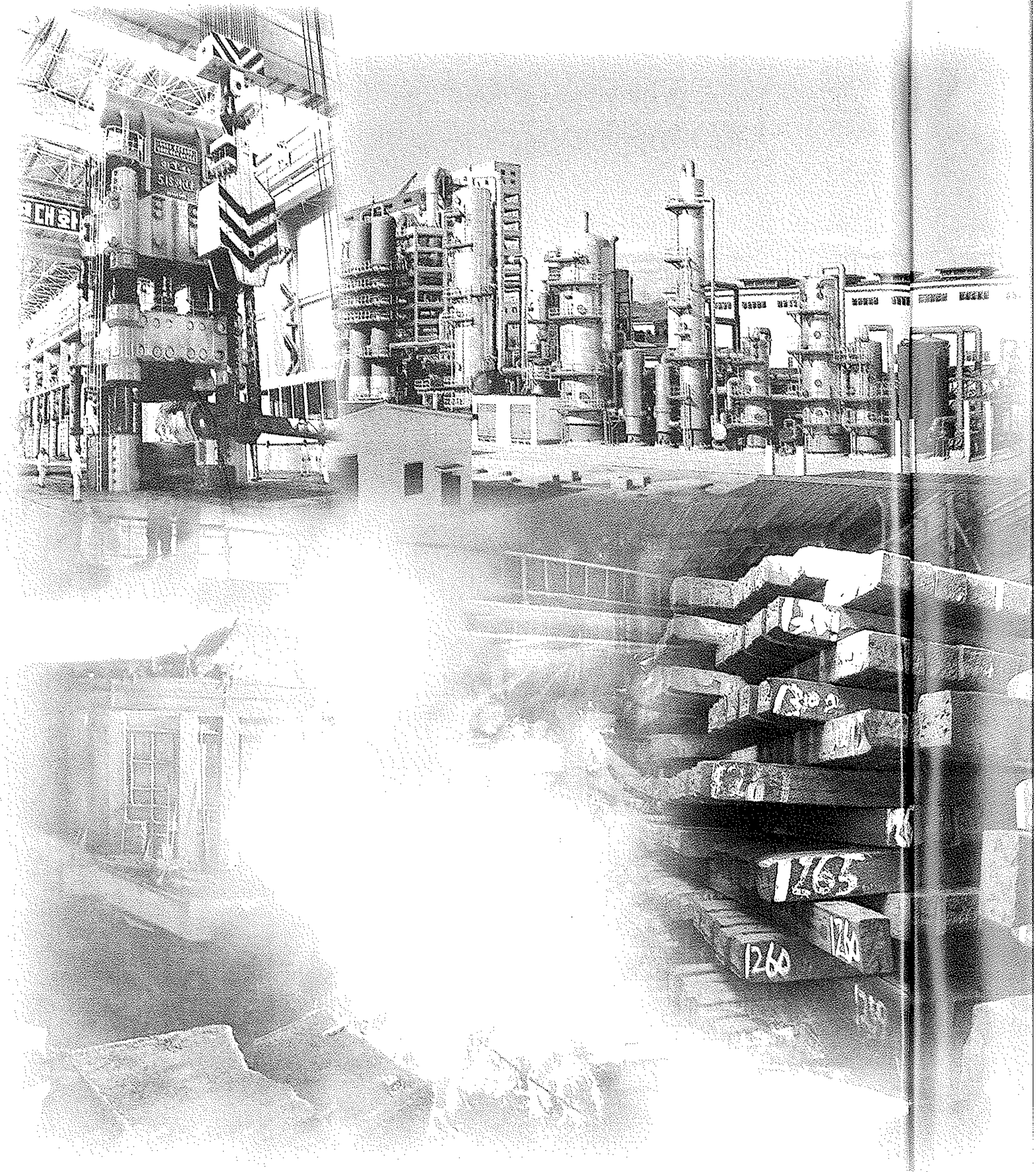
Table 3. Timetable of International Air Routes

Route	Flight No.	Day/Departure	Day/Arrival
Pyongyang – Beijing	JS151	Tue, Sat/08:25	Tue, Sat/09:55
	JS251	Thur/10:00	Thur/11:30
	JS151	Mon, Fri/08:30	Mon, Fri/10:00
Beijing – Pyongyang	JS152	Tue, Sat/12:55	Tue, Sat/15:25
	JS252	Thur/14:05	Thur/16:35
	JS152	Mon, Fri/12:00	Mon, Fri/14:30
Beijing – Pyongyang	CA121	Mon, Fri/13:20	Mon, Fri/15:50
Pyongyang – Beijing	CA122	Mon, Fri/16:50	Mon, Fri/18:15
Pyongyang – Shenyang	JS155	Wed, Sat/11:30	Wed, Sat/12:10
Shenyang – Pyongyang	JS156	Wed, Sat/14:10	Wed, Sat/15:50
Pyongyang – Vladivostok	JS271	Mon, Fri/08:00	Mon, Fri/11:00
Vladivostok – Pyongyang	JS272	Mon, Fri/12:20	Mon, Fri/12:45

Table 4. Timetable of Local Air Routes

Route	Flight No.	Day/Departure	Day/Arrival
Pyongyang – Orang	JS4101	Tue, Fri/10:00	Tue, Fri/11:20
Orang – Pyongyang	JS4102	Tue, Fri/13:30	Tue, Fri/14:50
Pyongyang – Sondok	JS5101	Mon/09:30	Mon/10:15
Sondok – Pyongyang	JS5102	Mon/18:00	Mon/18:45
Pyongyang – Samjiyon	JS3101	Wed/08:00	Wed/09:30
Samjiyon – Pyongyang	JS3102	Wed/16:00	Wed/17:30

※ The timetable is according to local time and changeable according to seasons.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Chapter 5
Parties to Foreign-invested Enterprises and Their Types

1. Parties to Foreign-invested Enterprises

2. Types of Business
    - 2.1 Equity Joint Venture
    - 2.2 Contractual Joint Venture
    - 2.3 Wholly Foreign-owned Enterprise

Chapter 5 Parties to Foreign-invested Enterprises and Their Types

Foreign-invested businesses that are established in the DPRK shall include foreign-invested enterprises and foreign enterprises. Foreign-invested enterprises are classified into equity joint venture enterprise, contractual joint venture enterprise and wholly foreign-owned enterprise. Foreign enterprises shall include branches, agents, offices, representative offices, agencies and other economic bodies.

As of 2014, there are 371 foreign-invested enterprises established within the territory of the DPRK, except special economic zones.

1. Parties to Foreign-invested Enterprises

Foreign institutions, enterprises, individuals and other economic bodies shall be foreign parties to foreign-invested enterprises. Overseas Korean compatriots can invest within the territory of the DPRK.

Institutions, enterprises and other organizations of the DPRK shall be Korean parties.

2. Types of Business

Foreign investment in the DPRK is realized through the establishment of foreign-invested enterprises.

Foreign-invested enterprises shall comprise equity joint venture enterprise, contractual joint venture enterprise and wholly foreign-owned enterprise.

Foreign-invested enterprises are established in the form of limited companies, and risk bearings of foreign investors are limited to the amount of their contributions.

Foreign-invested enterprises are legal entities of the DPRK and under legal protection of the DPRK.

2.1 Equity Joint Venture

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

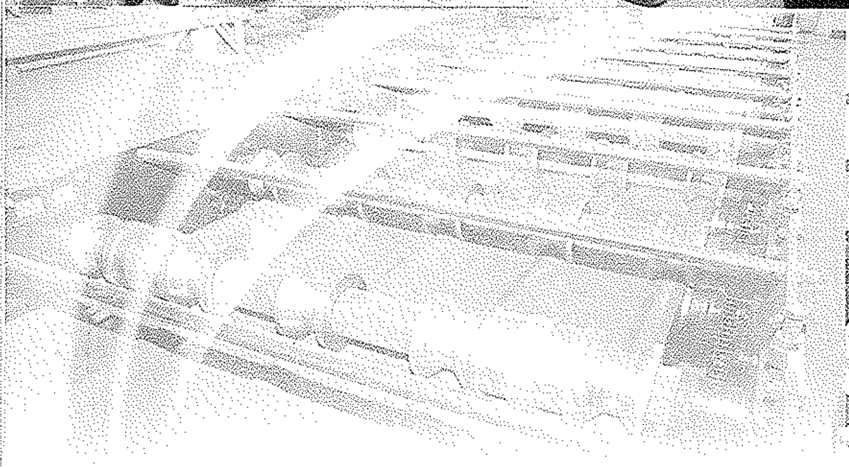
2.2 Contractual Joint Venture

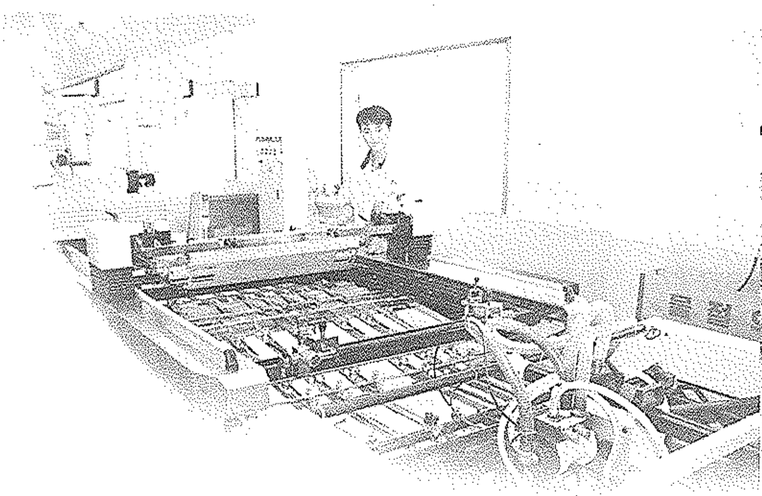
A contractual joint venture is an enterprise in which investors from the DPRK and a foreign country jointly invest, the management made by the partner from the host country and the share of the investment made by the foreign investor is redeemed or the profits are distributed according to the terms of the contract.

2.3 Wholly Foreign-owned Enterprise

A wholly foreign-owned enterprise is an enterprise that a foreign legal entity or individual and overseas Korean compatriot invest full amount of capital required for its establishment and operation and undertakes management on his own account.

A wholly foreign-owned enterprise (including foreign-invested banks) is permitted to be set up in given areas.



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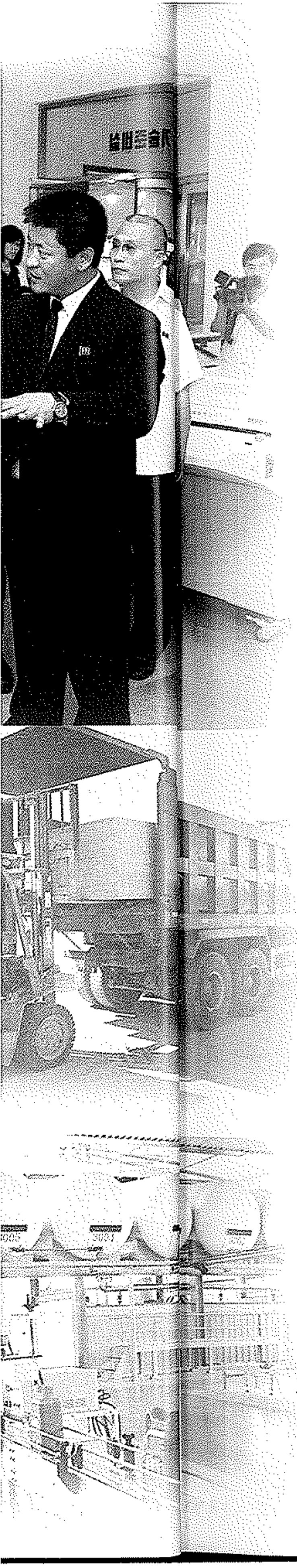

Chapter 6
Establishment and Operation of Foreign-invested Enterprises

Chapter 6 Establishment and Operation of Foreign-invested Enterprises

1. Formalities for Establishment, Registration and Business Licence

An investor from the DPRK shall go through formalities for the establishment of equity or contractual joint venture.

A foreign investor shall undertake formalities for the establishment of a wholly foreign-owned enterprise personally or consign it with a Korean agent.

1.1 Application and Examination

A DPRK investor shall submit the documents of the application for the establishment of an enterprise accompanied by the contract, the articles of association, a feasibility study report and the credit reference of the foreign investor to the State planning organ, central financial guidance and science and technology administration organs respectively for agreement to that effect. After having obtained the agreement of relevant organs, the DPRK investor shall submit the application for the establishment of the enterprise to the central investment management organ. The central investment management organ shall examine the application within 30 days of receipt thereof and issue a notice of either approval or rejection to the applicant.

Application of a foreign-invested bank shall be either approved or rejected by the Central Bank of the DPRK.

The investors who have been approved of the establishment of the enterprise shall make its official seal and open an account in the bank concerned.

1.2 Registration

A foreign-invested enterprise shall submit an application for the registration of the enterprise to the central investment management organ and register with it within 90 days of the approval of establishment. The application for the registration shall specify its name, type and address, corporate representative, total amount of investment and registered capital, scope of operation, term of operation and so on, as well as the certificate of opening of the accounts in the bank concerned, official registration certificate issued by the relevant organ and the document confirming the investment made by 30% or more of the total amount issued by the relevant audit office.

The central investment management organ, upon confirming the details of the applicant for the registration, shall register the enterprise and issue the certificate of registration.

A foreign-invested enterprise shall become a legal entity of the DPRK from the date when it has registered with the central investment management organ and been issued the certificate of registration.

It shall, within 30 days of obtaining the certificate, register with the people's committee of the province (or municipality directly under the central authority) where it is stationed, and be issued a registration certificate of address. Within 20 days of registration it shall register its tax affairs and customs matters.

A foreign-invested enterprise shall establish branches, representative offices or agencies within or outside the territory of the DPRK subject to the approval of the central investment management organ.

A wholly foreign-owned enterprise shall make the contract for leasing the land with the land-leasing organ after having obtained the registration certificate.

1.3 Business Licence

A foreign-invested enterprise shall obtain a licence for business operation in order to undertake operation.

Business licence shall be issued by the central investment management organ (or the management organ of the special economic zone). It shall be obtained before the scheduled date of inauguration specified in the letter of business approval. In case an enterprise is not able to obtain business licence within the prescribed period of time, it shall send an application for an approval of extension of commencing operation. The central investment management organ shall, within 15 days from receipt of the application, issue business licence or reject the business.

A foreign-invested enterprise, after completing the registration of address, tax affairs and customs matters and investment according to the contract, shall conduct business transactions independently as a party to civil legal relations from the date of obtaining business licence.

The following conditions shall be satisfied in order for an enterprise to obtain business licence:

- It shall complete contributions specified in the letter of business approval and have it audited by an audit office.
- It shall pass the environmental evaluation of the land and environment protection organ.
- In case a building is newly built or expanded, it shall pass the completion inspection.
- In case it is a manufacturer, it shall produce sample goods after a dry-run test.
- In case it is in the service sector, it shall purchase all necessary equipment and facilities and pass the sanitary inspection of the hygienic and anti-epidemic establishment to be ready for operation.
- In case it is in the sector of marine or passenger transport, it shall undergo technical inspection of either vessels or other means of transportation, which are contributed or purchased, by the relevant inspection organ, register them and obtain necessary certificates to be ready for safety travel.
- Other necessary arrangements shall be completed to run the business.

2. Contribution

2.1 Ratio of Contribution and Invested Asset

In an equity or contractual joint venture the ratio of contribution of a foreign investor shall not be confined by law but determined through an agreement between investors.

Parties to the investment may invest in the form of currency, property in kind, industrial property right, intellectural property rights, land use right, right to exploit natural resources and technical know-how. The value of the property, property rights or technical know-how that have been invested shall be set by agreement between the parties by reference to the international market price.

The ratio of the total amount of contribution (registered capital) of an equity or contractual joint venture shall be over 30 – 50% of the total investment amount, depending on the scale of business.

Investment in the form of intellectual property right such as patent, trademark right or industrial design right shall not exceed 20% of the registered capital.

2.2 Term of Contribution

Parties to an invested venture shall make contribution within the time prescribed in the letter of approval of business establishment, and where a loss is inflicted upon the other party through failure to contribute within the prescribed time, the former shall compensate the latter for the loss. Where, for unavoidable circumstances, a party intends to extend the period of contribution, it shall obtain permission for it one month before the expiry of the specified period by submitting a necessary application to the central investment management organ.

The period of contribution may be extended on several occasions, but not for longer than 12 months in all.

When contributions have been made to the full, the equity or contractual joint-venture enterprise shall assess them at the board of directors or the joint consultative board and submit to the central investment management organ the confirmation of contribution verified by an audit office, and then issue a certificate of contribution to the contributor.

The certificate of contribution shall specify the name of the contributor, share and amount of contribution, duration of the enterprise, date of registration and reference number.

3. Management Body

Foreign investment-related laws stipulate that equity or contractual joint venture and wholly foreign-owned enterprises have different forms of management body.

3.1 Equity Joint Venture

An equity joint-venture enterprise shall have a board of directors, management body, auditors' commission or an auditor.

The board of directors is the highest decision-making body of an equity joint venture, and the quorum for its meeting is more than two thirds of the total number of the directors.

The board of directors shall discuss and decide on such important matters as amendment and supplement to the memorandum of association, corporate strategy, plan of business activities, settlement of accounts and distribution, appointment and dismissal of management personnel, increase of registered capital, transfer of share of contribution, change of categories of business, extension of the period of operation, dissolution, and formation of a liquidation committee.

The decision of the board of directors on the amendment and supplement to the memorandum, transfer of share of contribution, changes in categories of business and registered capital, extension of period of operation, or dissolution shall be adopted by the affirmative vote of all directors present at the meeting, and the decision on the other issues by the affirmative majority vote.

The number of vice-chairman and directors shall be determined through an agreement between parties.

The chairman and vice-chairman shall be elected at the meeting of the board of directors and their term shall be in principle three years. The chairman is the legal representative of the highest decision-making body of equity joint venture.

The board of directors shall convene regular meetings and special meetings, the former more than once a year and the latter at times of need.

The directors can exercise the right of voting, but they do not participate in regular business activities and are not paid.

The management body is an executive department of equity joint venture to deal with routine business. The body shall consist of a managing director and his deputy, accountants and other necessary staff.

The managing director is an external representative of equity joint venture entrusted by the board of directors, and exercises his official power authorized by the board of directors to execute its decisions.

The equity joint-venture enterprise may have an auditors' commission or an auditor that does not belong to management departments of the enterprise.

The auditors' commission or an individual auditor shall, in accordance with the decisions of the board of directors, inspect on a regular basis the financial state of the enterprise and be responsible for the work before the board of directors.

The equity joint-venture enterprise shall be managed and operated in accordance with the articles of association and decisions of the board of directors.

3.2 Contractual Joint Venture

A contractual joint-venture enterprise shall form and operate a non-permanent joint consultative board.

The board shall be composed of the chairman, one vice-chairman and such number of other members as is determined by the parties to the joint venture through consultation. The board shall include the parties to the joint venture and the head of the enterprise. Either of the parties to the joint venture shall not hold the offices of the chairman and vice-chairman at the same time.

The joint consultative board shall meet whenever the parties think it necessary and agree to meet.

It shall discuss and decide important matters arising in operating the enterprise, including changes in registered capital and the categories of business, extension of the duration of the enterprise, corporate strategy and measures, annual operation plans, introduction of new technology, improvement of product quality, investment and reinvestment, and transfer of share of contribution.

The management body of the contractual joint-venture enterprise consists of the head of the enterprise, his deputy, an accountant and other necessary members. The head of the contractual joint-venture enterprise is its legal representative.

3.3 Wholly Foreign-owned Enterprise

A wholly foreign-owned enterprise shall be operated independently with necessary structure in accordance with its actual conditions.

Wholly foreign-owned enterprises shall be permitted by the central investment management organ to either open branches, representative offices and agencies, or establish subsidiaries in the DPRK or other countries, or conduct joint operation with companies in other countries.

4. Operation

4.1 Categories of Business and Term of Operation

A foreign-invested enterprise shall conduct business activities within the limits of the categories permitted. In case it wishes to change or expand the categories of business, it shall obtain approval from the central investment management organ.

Term of operation of an enterprise shall be decided as stipulated in the approved document of its establishment.

The enterprise may extend the term of operation upon agreement between the concerning parties to investment. In this case, the board of directors shall discuss and decide the issue 6 months before the expiry of the term and submit an application for its extension to the central investment management organ.

4.2 Supply of Raw and Other Materials and Sale of Goods

When procuring labour, materials, technology, equipment, power or water for its business activities offered by institutions and enterprises in the DPRK or selling its products to the institutions and enterprises of the DPRK, a foreign-invested enterprise shall register its plan of procurement or sale with the central investment management organ and make its procurement or sale according to the set procedures.

When it is going to import materials necessary for investment, production and management or export its products, the enterprise shall submit an application for import or export to the central investment management organ.

The State shall encourage the export of goods produced by the foreign-invested enterprises. In case the products of the foreign-invested enterprises are either urgently demanded at home or in the list of import goods, they may be sold within the territory.

5. Labour Administration

A foreign-invested enterprise shall manage its labour, from the employment, work and rest, remuneration, labour protection, social insurance and security to dismissal of employees, according to the Labour Law of the DPRK for foreign-invested enterprises.

5.1 Labour Employment

Labour of a foreign-invested enterprise shall be provided by a labour administration institution in the seat of the enterprise concerned. A foreign-invested enterprise shall file an application for provision of labour with the labour administration institution in the seat of its operation, and the latter, within 30 days of receipt of the application, shall provide the requested labour.

A foreign-invested enterprise shall mainly employ the labour of the DPRK. Managerial personnel or technicians and skilled workers for special jobs may, subject to the contract, be employed from abroad. In this case application to that effect shall be filed with the investment management organ.

5.2 Working Day

In the DPRK the working day shall be eight hours a day, and 48 hours a week.

A foreign-invested enterprise may set the working day shorter according to the level of intensity of labour and special working conditions. Legal holidays and Sundays are rest days.

Where employees are made to work on a legal holiday or a Sunday under avoidable circumstances, they shall be given a compensatory day off the following week.

5.3 Rate of Remuneration

The minimum monthly wage of an employee working for a foreign-invested enterprise shall be fixed by the central labour administration organ or investment management organ.

The minimum monthly wage of an ordinary worker employed by a foreign-invested enterprise is €30, and that of an employee working at the coal and other mines is €80.

The rate of the monthly wage is different according to regions, sectors and jobs.

A foreign-invested enterprise shall gradually raise the rate of wage in line with the growth of production and in consideration of the improved technical qualifications of its employees and labour productivity.

It shall pay wage related with regular or additional leave and maternity leave. Holiday allowances shall be calculated by multiplying the average daily remuneration by the number of days of leave.

5.4 Payment of Subsidy

A foreign-invested enterprise shall pay its employees subsidy equivalent to at least 60% of daily or hourly wage for the days or hours when they were off work due to mismanagement of the enterprise or their training.

It shall pay its employee who is dismissed or resigns subsidy equivalent to the wage for one month if he worked there less than a year, and for 3 months immediately before his dismissal or resignation if he worked there for more than a year.

5.5 Allowance for Overtime or Night Work

It is prohibited in principle to work employees overtime.

Where the employees worked overtime during the day or at night for unavoidable reasons, they shall be given allowances according to the following standards:

Overtime work on an ordinary working day	50% of wage
Work on night shift	50% of wage
Overtime work at night	100% of wage
Work on legal holiday or Sunday (without compensatory day off)	100% of daily or hourly wage

5.6 Bonus

A foreign-invested enterprise shall create a bonus fund and pay bonus to model employees for their contribution to increased production. Its rate shall be fixed independently by the enterprise.

5.7 Labour Protection and Rest

In the DPRK the minimum working age is 16.

It is prohibited by law to employ those under 16.

No difficult and harmful work shall be assigned to any female employee who is over 6 months pregnant.

Any of the employees who receive medical treatment due to occupational disease or injury in service, who are in sickbed for up to six months, and female employees who are married, pregnant, on maternity leave or in breast-feeding period, shall not be dismissed.

A foreign-invested enterprise shall establish labour safety system and provide its employees with labour materials not to be lower than the rate applied in domestic enterprises.

5.8 Paid Leave System

- 14 days of regular holiday for an employee with a working period of more than 1 year
- 7 – 21 days of additional leave for those doing heavy and harmful work
- 1 – 5 days of special leave for ceremonial occasions
- Maternity leave of 60 days before and 180 days after childbirth for female employees

5.9 Social Insurance and Social Security

Every citizen of the DPRK is benefited by the system of social insurance and social security.

The benefits of social insurance and social security shall include pension, recuperation, and recreation. Benefits under social insurance and social security schemes shall be provided by the social insurance fund.

A foreign-invested enterprise shall pay social insurance premium of €7 for each employee every month to the relevant financial institution.

6. Use of Land

The DPRK adopted the law on land lease by Resolution No. 40 of the Standing Committee of the Supreme People's Assembly on October 27, 1993 in order to lease land to foreign investors and foreign-invested businesses and make them use the leased land. It also approved by Resolution No. 35 of the Administration Council on September 7, 1994 the regulations for its implementation.

In accordance with the law on the leasing of land and its regulations foreign institutions, companies, businesses, other economic organizations and individuals as well as overseas Korean compatriots who are going to either establish businesses or stay within the territory of the DPRK, shall lease and use land.

The central land and environment protection guidance organ shall examine and approve the contract of land lease and also supervise and control the use of leased land. A provincial land and environment protection guidance organ shall conclude a contract of land lease with a lessee, and similar organs in cities and counties shall execute and register the contract.

Institutions, enterprises and organizations of the DPRK that wish to contribute land use right to an equity or contractual joint venture shall be granted the right to use land by the land administration organ of the province or the authority of the special economic zone where it is located. The land use right shall be treated as the right to use the leased land, and the latter shall be the property right of the lessee.

The term of lease shall be fixed by agreement between the contracting parties within the limit of 50 years, according to the purpose of land use and contents of the investment.

6.1 Mode of Land Lease

Land shall be leased through consultation between the lessor and a potential lessee. It may also be leased by tender or auction in the special economic and trade zones.

6.2 Transfer or Mortgage of the Right to Use Land

The lessee shall, subject to the approval of the lessor, be entitled to transfer or mortgage to a third party the right to use the whole or part of the leased land.

6.2.1 The lessee may transfer the right to use land by selling, re-leasing, donating or inheriting.

The period of the transfer or mortgage of the right to use land shall not exceed the remaining term of the lease prescribed in the contract.

Terms of transfer of the right to use land by selling, re-leasing and donating are as follows:

- The right to use land leased by the lessor or transferred from the lessee by means of selling and exchange;
- The right to use leased land after paying the total amount of charge prescribed in the contract;
- The right to use land that has been put to investment and construction in accordance with the period and terms prescribed in the contract.

Where the land use right is to be transferred, the rights and obligations related to the use of the land and structures and attachments shall also be transferred.

- The lessee may sell to a third party the right to use the leased land.
- The lessee may re-lease the leased land.
- The lessee may donate the right to use the leased land to an institution or enterprise,and a foreign corporate body or individual.
- The lessee may inherit the right to use the leased land.

6.2.2 A lessee may mortgage the right to use the leased land.

In this case the structures and other attachments on the land shall also be mortgaged.

6.3 Land Rental Charge and Land Use Fee

The lessee shall pay the rental charge to the lessor.

Where the developed land is to be leased, the lessee shall pay the rental charges plus the cost of land development. The cost of land development shall include the costs of land realignment, road construction, water supply and drainage, electricity, communications and heating systems.

The lessee shall pay the total amount of rental charges within 90 days of concluding the land lease contract.

Where a large area of land is leased in such case as the comprehensive development of land, the lessee may make payment by installment within period of time approved by the lessor.

The lessee shall annually pay prescribed fee for the use of the land to the financial institution in the seat of its operation.

A payer of the land use fee is as follows:

- A lessee who has leased land from the lessor;
- A lessee who has been transferred the right to use land by means of selling;
- A lessee who has re-leased the land;
- An equity or contractual joint-venture enterprise (in case the land is included in the contributions).

The land use fee shall be calculated from the date of registration of the land use right and be paid by December 20 every year.

Land use fee shall be reduced or exempted for up to 10 years for investors in the encouraged sectors and in the special economic zones according to their investment scope, content and economic effectiveness.

6.4 Return of Land Use Right

The land use right shall automatically return to the lessor at the expiry of the term of lease. The structures and other attachments on the land shall also return without charges being paid.

In case land is leased for more than 40 years, compensation may be made for the residual value of the buildings completed within 10 years before the expiry of the land lease.

When the term of lease expires, the lessee shall withdraw the structures, facilities and other appurtenance on the land at his own expense and clear the land, in accordance with a request from the lessor. Upon the expiry of the term of the land lease the lessee shall return the certificate of land use to the lessor and cancel the registration of the land use right. The lessee who wishes to extend the term of land lease shall file with the lessor an application to that effect 6 months before the expiry of the term.

7. Settlement of Accounts and Distribution

7.1 Settlement of Accounts

The financial year of a foreign-invested enterprise shall begin on January 1 and end on December 31. Settlement of accounts for any financial year shall be completed by the end of February of the following year.

The accounts of a foreign-invested enterprise shall be settled in such a way as determining the profit by deducting from the gross revenue the costs of materials, fuel, power and labour, depreciation, purchase expenses, maintenance costs of workshop and company, insurance premium, sales costs and the likes, and calculating the net profit by deducting from it the turnover tax or business tax and other expenses. The document of account settlement shall be endorsed by the board of directors.

7.2 Distribution

The profits shall be distributed among the partners according to the proportion of their contribution after the payment of the income tax and the deduction of reserve fund and other necessary funds from the net profit.

An equity or contractual joint-venture enterprise shall create reserve fund and other funds for production and technological development, bonus for employees, welfare and training.

An enterprise shall create reserve fund by laying aside 5% of its annual net profit until the reserve fund amounts to 25% of its registered capital. The reserve fund shall be used only for the purpose of covering the losses of the enterprise or increasing the registered capital. The others shall be laid aside within the limit of 10% of the net profit and be spent according to its indepent plans.

8. Dissolution and Liquidation

A foreign-invested enterprise shall be dissolved when it is unable to continue its operation for such reasons as the termination of the term of operation, insolvency, default of the contract obligations by either of the parties, continued operational loss or natural calamities.

An equity or contractual joint-venture enterprise may, in case the circumstances demands the dissolution before the expiration of the term of operation, make decision on that matter at the board of directors or the joint consultative board and dissolve itself subject to the approval of the investment management organ. In this case a liquidation committee shall be organized by the board of directors.

Where an equity or contractual joint-venture enterprise is dissolved due to the default of either party, the party responsible shall compensate for the losses.

The central investment management organ shall, within 10 days of the receipt of an application for dissolution, examine it and send a notice of approval or rejection to the applicant.

The liquidation plan shall be approved by the board of directors dissolving the company or the central investment management organ (or by a court in case of the application for bankruptcy).

Property of an equity or contractual joint venture to be liquidated shall be disposed of to meet the claims in the following order; expenses of liquidation, tax payments due, remuneration for employees, and debts. The remainder after the payment of these items shall be distributed among the investors according to their contributions.

The liquidation committee shall undertake the formalities for cancellation of registration of the enterprise within 10 days after the conclusion of business transactions and the completion of liquidation. However, it shall apply for bankruptcy to a competent court where, in the course of handling the dissolution, declaration of bankruptcy is proved appropriate.

9. Settlement of Disputes

Any dispute concerning foreign investment shall be settled through consultation. In case of failure in consultation, the dispute shall be referred to mediation, arbitration or court.

If disputes that arise in the operation of a foreign-invested enterprise are to be settled through arbitration, an arbitration agreement shall be made. The arbitration agreement shall be made by including the arbitration clause in the contract concerned or preparing a separate arbitral document.

There are organs in the DPRK specializing in the settlement of disputes of foreign-invested enterprises through external economic arbitration.

The Korea International Trade Arbitration Committee deals with disputes related to foreign trade, investment and services, the Korea Maritime Arbitration Committee those related to marine economic activities, and the

Korea Computer Software Arbitration Committee those related to computer software. External economic arbitration shall be conducted without any limitation of regional jurisdiction and no instance shall be set, with the award of the arbitral tribunal being final and conclusive.

Arbitration Procedures

- Request for arbitration
- Notice of receipt
- Presentation of a statement of response
- Composition of arbitral tribunal
- Arbitral proceedings
- Award
- Dispatching of award
- Execution of award

External economic arbitration shall settle:

- Disputes between any institution, enterprise or organization of the DPRK and foreign enterprise (a corporate body, economic organization or an individual with a source of income in the territory of the DPRK),
- Disputes between any institution, enterprise or organization of the DPRK and foreign-invested enterprise,
- Disputes between different foreign-invested enterprises,
- Disputes between a foreign-invested enterprise and a foreign enterprise,
- Disputes between different foreign enterprises,
- Disputes between any institution, enterprise or organization of the DPRK and foreign-invested enterprise, foreign enterprise, overseas Korean compatriot or foreigner.

Chapter 7
Tax System of Foreign-invested Businesses and Foreign Individuals

Chapter 7 Tax System of Foreign-invested Businesses and Foreign Individuals

1. General Provisions

Taxation Law of the Democratic People's Republic of Korea on Foreign-invested Businesses and Foreign Individuals was adopted by Resolution No 26 of the Standing Committee of the Supreme People's Assembly on January 31, 1993 and was amended and supplemented on several occasions. The DPRK Cabinet adopted its Decision No. 39 on June 14, 2002 the regulations for the implementation of the law and supplemented and amended them on several occasions.

The law and regulations are enacted for the purpose of ensuring impartiality in the imposition of tax on foreign-invested businesses and foreign individuals and accuracy in tax payment by taxpayers. Where any treaty concluded between the DPRK and a foreign country provides provisions of tax application that differ from these law and regulations, the treaty shall prevail. These law and regulations shall be applied to any taxpayer earning incomes from business transactions within the territory of the DPRK, as well as the withholding taxpayer.

Those who are liable to taxation are classified into businesses and individuals.

Businesses comprise foreign-invested enterprises or banks, their branches, representative offices and agencies established outside the DPRK.

Individuals include foreigners and overseas Korean compatriots. A foreign individual means any foreigner or overseas Korean compatriot with foreign nationality who stays or resides more than 180 days in the territory of the DPRK and earns incomes from business activities. An overseas Korean compatriot means an overseas citizen of the DPRK who stays or resides in the DPRK for more than 180 days and earns incomes from business activities.

Withholding taxpayers mean foreign-invested enterprises, foreigners or banks that pay their incomes to taxpayers.

Foreign businesses including foreign banks that earn incomes from capital investment without establishing enterprises within the DPRK shall be taxpayers.

Tax administration shall be undertaken by the central tax administration institution and such institutions as bureaus, sections and offices established in economic development parks including special economic zones.

A taxpayer shall make tax registration with the tax administration institution and receive a certificate of tax registration.

In case an enterprise shall be established, merged, broken up and dissolved, or shall own, transfer or discard vehicles, it shall make within 14 days tax registration or registration of tax change or cancellation for categories of business, locations of operation and types of vehicles.

An individual who stays or resides for more than 180 days a year, or leaves the country after having stayed or resided for more than 180 days, shall make within 14 days tax registration for the amount of the taxable property and by the form of incomes, or cancel its registration.

The tax administration institution shall, within 10 days of accepting the application for tax registration or for change of tax registration, issue a certificate of tax registration.

A taxpayer is not allowed to either lend tax documents, sell, lose, modify, damage or forge them.

A taxpayer shall pay enterprise income tax, individual income tax, property tax, inheritence tax, turnover tax, service tax, resource tax, city management tax and vehicle tax.

2. Enterprise Income Tax

An enterprise shall pay enterprise income tax.

It shall pay tax on income from business activities conducted within and outside the territory of the DPRK.

Taxable objects of the enterprise income tax are the incomes in money or in kind earned from business activities. The enterprise incomes comprise capital incomes and other incomes.

Capital incomes are the incomes which are left over from the total incomes earned from activities related to business categories approved by the State after deducting the costs of raw and other materials, fuel and power in accordance with the standard norms of consumption per unit and the depreciation cost reserved in the method registered with a tax administration institution.

Other incomes comprise incomes from activities not directly related to business categories approved by the State, including the sale of fixed or fluid assets, interests, dividends, lease of fixed assets or immovables and royalties for patents, as well as incomes from overseas investment and branches, the sale of gratuitous materials, trade, interests from deviation in exchange rate, and penalties and fines imposed on the employees.

Income tax for foreign-invested enterprises and banks shall be applied to the profit determined after deducting from the gross revenue comprised by capital and other incomes such as the costs of labour, goods purchased, sales and maintenance of enterprise, taxes, money due to the State, and other expenses that are allowed to be deducted.

Income tax for foreign enterprises shall be applied separately for capital and other incomes. Tax for capital incomes of the enterprise shall be applied to the profit determined after deducting maintenance costs and other expenses, taxes and money due to the State. Tax for other incomes it earns from dividends, interests, lease of fixed assets or immovables, royalties for patents and others not related to business categories shall be applied to the incomes without deducting expenses.

2.1 Tax Rates

The standard rate of income tax for foreign-invested enterprises and banks shall be 25% of net profit.

Where a foreign enterprise earns other incomes from dividends, interests, rental charges, royalties and other sources, such incomes shall be taxable at the rate of 20%.

2.2 Calculation and Payment

The calculation period of enterprise income tax shall be from January 1 to December 31 every year, or a quarter of a year.

The calculation period of inome tax for an enterprise that is newly established begins on its inauguration day and ends in the fourth quarter of the year, and that for the enterprise to be dissolved from the first quarter of the year to the date when its disslolution is declared.

Enterprise income tax shall be calculated according to the principles and methods prescribed in the relevant law and regulations and within the set period.

An estimated amount of enterprise income tax for a quarter shall be calculated by settling the profit and applying the prescribed tax rate to it within the 10th working day of the following month after the quarter. A full amount of enterprise income tax for the year shall be paid within the 10th working day in February next year by settling the profit and applying to it the prescribed rate. For the business which takes more than 1 year in undertaking a construction project, assembling work, or in processing and manufacturing a heavy machine and equipment, enterprise income tax shall be settled and paid once a year.

The enterprise shall pay an estimated amount of enterprise income tax for each quarter and the full amount settled for the year.

In the event of dissolution of an enterprise, the enterprise concerned shall create a security for tax payment in the relevant tax administration institution within 20th working day of the official declaration of its dissolution and shall pay income tax within 15th working day of settlement of accounts. Should an enterprise be merged or broken up, the enterprise shall settle its income as of the date of such effect and pay income tax within 20th working day of the declaration of the merger or break-up.

The enterprise shall submit the tax return for enterprise income tax and the financial statement for the year and other financial documents required by the tax administration institution within 1st working day after the calculation of the enterprise income tax for its settlement and payment. The annual settlement of the income tax shall be made through either a refund of the overpaid amount or an additional payment of the shortfall.

Tax for a foreign enterprise on the incomes earned from other sources shall be either assessed and paid by a taxpayer, or deducted and paid by a withholding taxpayer. In latter case the withholding taxpayer shall withhold and pay the enterprise income tax on the day of the payment of earnings.

Preferential treatments accorded to the foreign-invested enterprises and banks shall be carried out by lowering its tax rate under the standard rate, exempting from taxes, or reducing or refunding them.

Such treatments shall be in effect from the following year after the inauguration of an enterprise or its registration with the central investment management organ.

Foreign-invested enterprises and banks to be established under the approval of its establishment shall be accorded with preferential treatments from the year of its obtaining the approval for establishment. Foreign enterprises and branches of foreign banks that have acquired business licence in accordance with the registration shall be accorded with such treatments from the year of its obtaining the approval for operation, and foreign banks and other foreign businesses that have no enterprises established in the DPRK but earn incomes from the first year of its earning.

3. Individual Income Tax

Any individual who stays or resides for more than 180 days in the DPRK shall pay tax on his income earned inside and outside the territory of the DPRK.

Individual income tax shall be levied on incomes from remuneration for work in money or in kind received from a juridical person and a natural person, interests, dividends, lease of fixed assets, proceeds from the sale of assets, royalties for intellectual property rights and technical know-how, provision of management-related service and donation.

- Taxable objects for labour remuneration
  Individual income tax on the labour remuneration shall be the income remaining after the deduction of money prescribed in the relevant regulations from the total income earned in a month under a labour contract, such as wages, allowance and bonus.
- Taxable objects for interest income
  Tax shall be levied on all the incomes earned from interests on deposits and loans by banks, other institutions or individuals during a quarter of the year.

- Taxable objects of dividends
  Tax shall be imposed on the incomes from the quarterly or annual distribution of profits and others for the investment of personal capital.
- Taxable objects of lease of fixed assets
  Incomes from the lease of fixed assets including land, buildings, machines, equipment, vehicles and vessels, shall be taxable by deducting 20% from the gross income for a quarter of the year.
- Taxable objects of sale of assets
  Tax shall be imposed on monthly incomes from the sale of the fixed or fluid assets owned by an individual to other institutions or individuals.
- Taxable objects of royalties for intellectual property rights and technical know-how
  Tax shall be levied on the incomes earned during a quarter of the year by the owner of a patent and other kinds of intellectual properties, techniques including documents, qualifications or experiences which are not gone through formalities for obtaining patent right or which are not made public, novels and other art and literary works, through their transfer, service or offer.
- Taxable objects of incomes from the provision of management-related service
  Incomes earned during a quarter of the year from the provision of management-related service to a juridical person are taxable.
- Taxable objects of donation
  Income from donation comprises all the incomes from the donation of property or property rights including cash, property in kind, intellectual property rights and technical know-how.

3.1 Tax Rate

- Tax rate on labour remuneration shall be a progressive rate within the range of 5 – 30% of the remaining income remained after deducting the prescribed amount from the monthly incomes.
- Individual income tax rate shall be 20% of the quarterly incomes from interest payments, dividends, income from lease of fixed assets, royalties for intellectual property rights and technical know-how and income from provision of management-related service.

- Tax on income from lease of fixed assets shall be 20% of the remaining amount of income after deducting 20% of quarterly income.
- Tax rate on the income from the sale of property shall be 25% of the amount of monthly income.
- Tax on the income from donation shall be applied at the progressive rate within 2 – 15% to the remaining amount of monthly income after deducting the standard amount prescribed in the regulations.

3.2 Calculation and Payment

Individual income tax shall be exactly calculated on the fixed date.

Tax on labour remuneration shall be calculated once a month on the day of the calculation of remuneration by applying progressive rates respectively to the taxable objects stipulated in the regulations.

Tax on incomes earned from interests, dividends, royalties for the intellectual property rights and technical know-how, provision of management-related service, lease of fixed assets shall be paid within the 2nd working day of the first month of the next quarter by applying the prescribed tax rates.

Tax on the income from the sale of property shall be paid within the 2nd working day of the next month by applying the prescribed rates.

Tax on the income from donation shall be paid within the 2nd working day of the next month by applying the respective progressive rates as prescribed in the regulations.

Individual income tax shall be either deducted and paid by a withholding taxpayer or assessed and paid by a taxpayer.

In case individual income tax shall be paid by a withholding taxpayer, it shall be paid within the 5th working day after calculating the income to be paid to an individual by submitting to a tax administration institution an income tax return and documentary evidence for approval. In case a taxpayer shall pay the individual income tax personally, he shall submit for approval a tax return and documentary evidence to the tax administration institution concerned within the 10th working day after the calculation of the income tax and pay the tax.

Tax on the individual income earned outside the DPRK shall be calculated quarterly by a taxpayer, assessed and paid to a tax administration institution within the 25th working day of the first month of the next quarter.

In case a taxpayer has paid individual income tax outside the DPRK, he may apply for deduction within the limits of the amount of the income tax calculated in the relevant regulations. The application for deduction shall state the relevant contents and be accompanied with the original of the tax return issued by the tax administration institution of the country concerned.

Where an individual has earned incomes in the form of property in kind or securities, the local price at the time of its acquisition is taxable.

4. Property Tax

Property an individual or an enterprise has owned in the territory of the DPRK is taxable.

Such fixed assets as buildings, vessels and airplanes owned by an individual are taxable. An enterprise shall pay property tax, in case incomes are earned from the fixed and liquid assets prescribed in the law and regulations for the financial management of foreign-invested enterprises through their sale (including transfer or scrap) not directly related to business categories.

Incomes from the compensation made by the State in relation with the transfer of property right to the state ownership as a state measure are not taxable.

Property tax shall be imposed on the value of the property and incomes from the sale of property.

Taxable objects for an individual are the value of the property such as buildings, vessels and airplanes registered with the DPRK.

An enterprise shall pay property tax for incomes from the sale of fixed or liquid assets.

An individual who owns property in the DPRK shall register the property with a tax administration institution within the 20th working day of its ownership, and go through formalities for the change of registration within the 20th working day in case the owner of the registered value of the property has changed. The value of property shall be assessed as of January 1 each year and re-registered by the end of each February.

An enterprise shall register its property in accordance with the law and regulations for the financial management of foreign-invested businesses.

4.1 Tax Rate

The property tax rate shall be 1 – 1.4% of the value of the registered property.

The tax rate for the property owned by an individual shall be 1% of the registered value of buildings and 1.4% of that of either vessels or airplanes. The property tax rate for an enterprise shall be 1.4% of the respective taxable objects.

4.2 Calculation and Payment

Tax for individual property shall be paid within the 3rd working day of the first month of the following year by applying the tax rate prescribed in the relevant regulations to the value of the property, such as buildings, vessels and airplanes, registered with the tax administration institution.

Where an enterprise has sold its fixed assets, it shall calculate its property tax from the day of the conclusion of the contract and pay the property tax at the rate of 1.4% of the value of the property registered with the tax administration institution. In case of the lease of fixed assets, the date of its calculation shall be the cyclic day of income specified in the contract thereof and the tax rate shall be 1.4% of the income. Property tax for the sale of fluid assets shall be paid by applying the rate of 1.4% to the income from the sale.

An individual shall submit for approval the tax return and documentary evidence to the tax administration institution within the 3rd working day after the calculation of tax and pay the tax within January every year. In case of the leased or mortgaged property, such property is also taxable.

An enterprise shall submit its tax return and documentary evidence to the tax administration institution within the 1st working day of its calculation and make payment into its respective bank account within the 1st working day after obtaining approval.

5. Inheritance Tax

Where an individual has either inherited property in the territory of the DPRK or inherited property located in a foreign country and brought into the DPRK, inheritance tax shall be payable.

The tax base for inheritance tax shall be the remaining value after deduction from the inherited property of its former holder's liabilities, the cost of funeral ceremony covered by the inheritor, cost of management of the property incurred during the period of inheritance and fees related to inheritance.

The price of the inherited property shall be assessed according to the world market price at the time of inheritance.

5.1 Tax Rate

The rate of inheritance tax shall be 6 – 30% of the amount of the inherited property in accordance with taxable objects specified in the relevant regulations.

5.2 Calculation and Payment

Inheritance tax shall be calculated by applying prescribed tax rate to taxable objects.

A taxpayer shall assess and pay the tax within three months of the date of inheritance. The taxpayer shall, within the 75th working day of inheritance of property, submit to the tax administration institution the inheritance tax return and pay inheritance tax after having obtained approval.

Where there are more than 2 inheritors of the same property, inheritance tax shall be paid separately by each for his share. In case the amount of inheritance tax exceeds the prescribed amount or the tax is to be paid in kind for unavoidable circumstances, an application for pay in installments or in kind shall be filed to the tax administration institution for approval.

6. Turnover Tax

An enterprise shall pay turnover tax for the incomes earned from the sale of products.

Where an enterprise is engaged in the exploitation of mineral resources, forest resources, animal and plant resources, marine resources, water resources and so on, it shall not pay turnover tax for the incomes earned from the sale of its products.

Turnover tax shall be levied on the incomes from the sale of products and the transfer of construction work.

- The tax base of turnover tax is the proceeds of the sale of products to a dealer.
- An enterprise engaged both in the production and service sectors shall pay turnover tax for the proceeds of the sale of its products through its service facilities.
- Where an enterprise has sold its construction work to an owner of construction or a dealer, turnover tax for the income from the transfer of construction work is payable.

6.1 Tax Rate

The rate of turnover tax for the income earned from the ordinary products without restriction on consumption shall be 1 – 15% of respective categories.

The rate of turnover tax for the incomes from the products that limitations are placed on consumption and production including luxury articles shall be 16 – 50% of categorized items.

6.2 Calculation and Payment

Turnover tax shall be calculated each time the incomes from sale of products are earned in accordance with its fixed point of time by applying the tax rate prescribed in the relevant regulations.

Turnover tax shall be assessed and paid by an enterprise or deducted and paid by a withholding taxpayer whenever the incomes are earned.

The enterprise shall submit to the tax administration institution a tax return and documentary evidence on the 5th, 10th, 15th, 20th and 25th working day every month and pay the tax to the bank account concerned within the 1st working day after obtaining approval.

In case the enterprise engages in the production with the cycle of more than the 25 working days, it shall submit the tax return on the 3rd working day of the following month.

Turnover tax shall be deducted by a withholding taxpayer each time the incomes are paid to the enterprise and deposited in the bank account of the tax administration institution concerned.

7. Service Tax

An enterprise that engages in the service sector shall pay service tax.

Service tax shall be levied on the incomes earned from services in such sectors as transport, communications, power, commerce, foreign trade, banking, insurance, tourism, advertising, hotel, public catering, recreation and welfare facilities.

An enterprise that engages in the productive categories of business shall not pay service tax. In case an enterprise that engages in both production and service sectors has earned incomes from the sale of its products through its commercial outlets, it shall not pay service tax for the incomes.

7.1 Tax Rate

The rate of service tax on ordinary service categories shall be 2 – 10% of the incomes concerned, and up to 50% for such categories of service as casino.

7.2 Calculation and Payment

Service tax shall be calculated by applying the prescribed rates to the taxable objects.

Service tax shall be paid each time the income from service is earned by applying the rate prescribed in the regulations, in accordance with the fixed time point of incomes from service. Where an enterprise is engaged in several categories of business, service tax shall be calculated by applying the relevant rate to the income from each category of business.

A taxpayer shall submit for approval a tax return and documentary evidence to the tax administration institution on the 3rd, 6th, 9th, 12th, 15th, 18th, 21st, and 24th working day every month, and pay the tax to the bank account of the relevant organ within the 1st working day after obtaining approval.

8. Resource Tax

Where an enterprise exports resources or exploits them for the purpose of sale or self-consumption, tax shall be payable.

Resources shall include such natural resources as mineral resources, forest resources, animal and plant resources, marine resources and water resources.

Resource tax shall be levied on the income earned from export or sale of the resources, or at the prescribed value.

- In case an enterprise exploits resources and sells them at home or abroad, the incomes earned from the sale of products are taxable.
- In case the resources are exploited and self-consumed, the resource tax shall be levied on the value of the amount of exploited resources multiplied by prescribed price.

8.1 Tax Rate

The rate of tax imposed on resources shall be 1 – 25% for different kinds in accordance with the stipulations in the relevant law and regulations.

8.2 Calculation and Payment

Resource tax shall be calculated each time income is earned by applying the set tax rate within the 1^{st} working day in accordance with the fixed time point of the sale of products prescribed in the tax regulations for foreign-invested enterprises and foreign individuals.

In case resources are to be exported, tax shall be calculated within the 1^{st} working day either according to the fixed point of time of the income from the sale of products or after the start of customs formalities, by applying the rate set for different kinds of resources to the value of the amount multiplied by the price of the resources reflected in the contract.

In case resources are self-consumed, tax shall be calculated within the 1^{st} working day each month by applying tax rate set for each kind of resources to the value of the amount of consumed resources multiplied by the price.

Resource tax shall be assessed and paid by an enterprise each time income is earned from the export or sale of resources, or resource concerned is used, or deducted and paid by a withholding taxpayer.

In case an enterprise sells resources at home, exports or self-consumes them, it shall submit within the 1^{st} working day after the calculation of the resource tax, a tax return and documentary evidence to the tax administration institution concerned and pay the tax within the 1^{st} working day after obtaining approval.

9. City Management Tax

A taxpayer shall pay city management tax for the maintenance of public facilities such as parks, roads and waste disposal facilities in the residential area.

An enterprise or an individual shall pay city management tax.

City management tax shall be levied on the total amount of wages an enterprise creates and pays once a month to its employees including temporary workers, apprentices, interns, trainees, watchmen and others.

An individual shall pay city management tax on the total value of the taxable objects of individual income tax.

9.1 Tax Rate

City management tax shall be calculated at the rate of 1% of the taxable objects.

The rate of city management tax on a foreign-invested business or bank or a branch of a foreign bank shall be 1% of the total amount of wages it paid to its employees including temporary workers, apprentices, interns, trainees, watchmen and others.

An individual who does not work for any foreign-invested business or bank or branch of a foreign bank shall pay city management tax at the rate of 1% of the monthly wage.

9.2 Calculation and Payment

A taxpayer shall calculate city management tax within the 5^{th} working day of the following month by applying the prescribed tax rate to the taxable objects.

A taxpayer shall submit a tax return and documentary evidence to the relevant tax administration institution for approval within the 1^{st} working day of the tax calculation and assess and pay it within the 1^{st} working day after obtaining approval.

In case a taxpayer miscalculates by mistake city management tax and modifies it, he shall pay tax within the 2^{nd} working day from its calculation.

A withholding taxpayer that pays incomes to an individual shall deduct and pay city management tax as well as individual income tax on the day of payment.

10. Vehicle Tax

Any enterprise or individual that uses vehicle shall pay vehicle tax for the maintenance of the road in the residential area.

A taxpayer shall register vehicle with the tax administration institution.

Vehicle comprises car, bus, lorry, special and other vehicles.

Special vehicles comprise truck crane, fire truck, electrical power unit, concrete mixer truck, drill truck, roller leveller, grader, paver, street sweeper, snowblower, sprinkler truck, chemical sterilizer truck and other kinds of vehicles fixed with special structures and equipment. Other vehicles include tractor, bulldozer, hydraulic shovel, forklift truck, trailer, and motorcycle.

In case an enterprise owns a vehicle, it shall register it with the tax administration institution within the 25th working day from the date deemed to be the time of completion of investment prescribed in the law and regulations for financial management of foreign-invested enterprises under the registration method of fixed assets. In case of an individual's possession of vehicle, the individual shall register with the tax administration institution within the 25th working day from the date when he has gone through necessary formalities with the vehicle supervision institution.

10.1 Tax Rate

The tax rate for different types of vehicles shall be the fixed amount of tax rate prescribed in the relevant law and regulations.

10.2 Calculation and Payment

Vehicle tax shall be calculated by applying fixed tax rate for each type of vehicles prescribed in the regulations within the 10th working day of February the following year.

In case a vehicle is not used continuously for more than 25 working days a month, the vehicle tax for those months shall be exempted.

The vehicle tax shall be assessed and paid within the 1st working day after obtaining approval from the tax administration institution by submitting it a tax return and documentary evidence within the 1st working day from the date of calculation of the vehicle tax.

In case it is impossible to pay taxes within the set period of time due to unavoidable circumstances, the taxpayer or withholding taxpayer may postpone payment with the consent of the relevant tax administration institution on condition that arrears are paid respectively, not exceeding the 25th working day.

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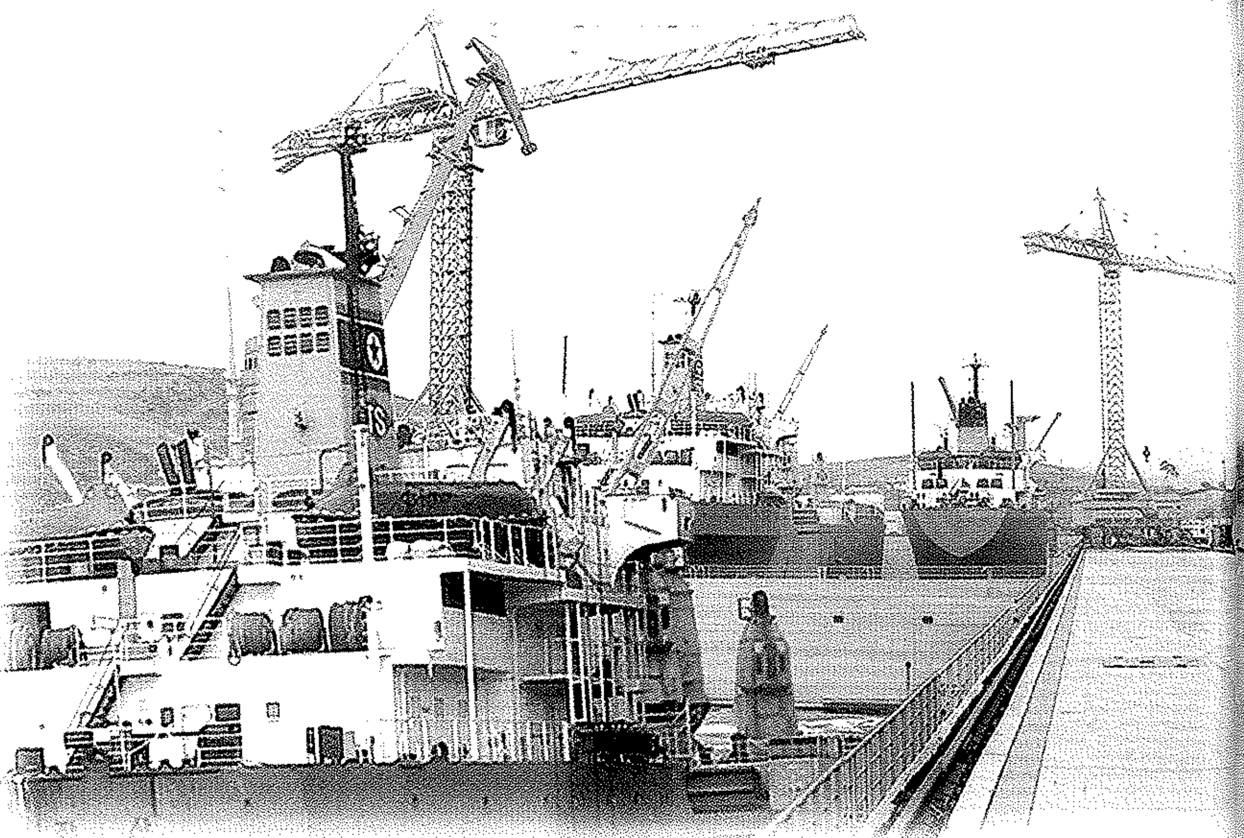

Chapter 8
Preferential Treatments

1. Ratio of Investment

2. Preferential Treatments in Applying Taxes
   - 2.1 Enterprise Income Tax
   - 2.2. Turnover Tax
   - 2.3 Business Tax
   - 2.4 Resources Tax
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3. Exemption from Customs Duty

4. Preferential Treatments in Operation

Chapter 8 Preferential Treatments

The DPRK government offers foreign-invested businesses the following preferential treatments in order to encourage foreign investment and promote the interests of foreign investors.

1. Ratio of Investment

The ratio of investment to be made by a foreign investor has no legal limits and shall be decided through mutual agreement with a Korean partner.

2. Preferential Treatments in Applying Taxes

2.1 Enterprise Income Tax

- The income tax rate for businesses in the encouraged sectors such as the cutting-edge technology, infrastructure construction and scientific research shall be 10%.
- Where a foreign government or an international financial organization grants a loan, or a foreign bank grants a loan to an enterprise on favourable terms, or a foreign enterprise earns income through its non-permanent representative in the DPRK, income tax shall not be payable to the interests accruing therefrom.
- An enterprise in an encouraged sector that is operated for more than 15 years shall be entitled to full exemption from enterprise income tax for 3 years and to a reduction of up to 50% for the following 2 years.
- An enterprise invested in production sectors, except the categories restricted by the State, shall be entitled to full exemption from enterprise income tax for 2 years, provided that it is to be operated for more than 10 years.

- A foreign-invested enterprise engaged in the prescribed service sectors for more than 10 years shall be granted full exemption from enterprise income tax for 1 year.
- Where a foreign investor, who has invested in the encouraged sectors and operated his business for more than 10 years, reinvests the shared profits from business to increase the registered capital, full amount of the enterprise income tax on the reinvested amount may be refunded in accordance with the fixed point of time when the investment is made.
- Where a foreign investor reinvests the shared profits from business to increase the registered capital or establishes a new enterprise and operates it for more than 10 years, 50% of the enterprise income tax paid on the reinvested amount may be refunded in accordance with the fixed point of time when the investment is made.
- Where an overseas Korean compatriot has established a foreign-invested enterprise outside economic development zones including special economic zones, the rate of the enterprise income tax shall be 20%.
- The income tax rate for enterprises within special economic zones and other economic development zones shall be 14%.

2.2 Turnover Tax

Turnover tax for the incomes earned from the export of goods produced by a foreign-invested enterprise, provided that they either have competitive edge on the world market or are not controlled articles, or the incomes earned from the sale of products to institutions and enterprises in the territory of the DPRK at low prices as requested by the State, shall be reduced in accordance with the regulations for the implementation of the taxation law.

2.3 Service Tax

- A foreign-invested enterprise engaged in infrastructure development, such as railways, roads, ports and airports, and in waste disposal and sewage treatment, may be granted exemption or reduction from service tax for a certain period.
- For such taxable objects as special services in cutting-edge science and technology, its service tax may be reduced to up to 50% for a certain period.

2.4 Resource Tax

- Enterprises that exploit such resources as oil or natural gas shall be entitled to exemption of resource tax for 5 – 10 years.
- Resource tax may be reduced where, instead of selling resources in natural state, quality goods that are made thereof through modern technical process are exported or resources are sold to the institutions, enterprises or organizations of the DPRK according to the measures taken by the State.
- Resource tax on the underground water a foreign-invested enterprise in the priority sector uses for production may be reduced.

2.5 City Management Tax

- Any individual who belongs to a foreign-invested business or bank or branch of a foreign bank shall be exempted from paying city management tax in case it has been paid by the head office.
- City management tax shall not be imposed on any individual who belongs to a foreign-invested business or bank or a branch of a foreign bank for such tax bases as property tax and inheritance tax.

3. Exemption from Customs Duty

Customs duties shall not be levied on the fixed assets of a foreign-invested enterprise for investment, and raw and other materials brought in for the purpose of production and management.

Customs duties shall not be levied on the goods that are produced or processed for pay and exported.

4. Preferential Treatments in Operation

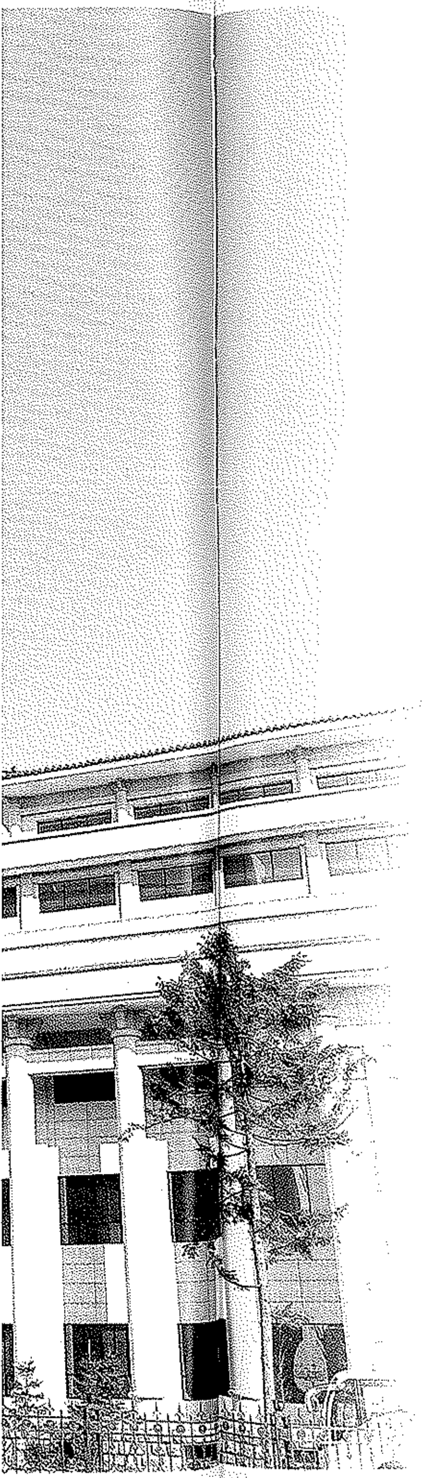
A foreign-invested enterprise may carry forward the loss incurred in operation to the following year, not exceeding 4 years.

Accelerated depreciation is allowed for a foreign-invested enterprise.

For example, the term of use may be prescribed as 25 years for a building, 10 years for a machine, and 4 – 5 years for a vehicle.

Land use fee for a foreign-invested enterprise in the encouraged sectors may be exempted or reduced for up to 10 years.

A foreign-invested enterprise may import, without particular permission facilities, raw and other materials necessary for production and operation of approved categories in accordance with its independent plan, and export its products.



Chapter 9

Financial Management and Audit System for Foreign-invested Enterprises

Chapter 9 Financial Management and Audit System for Foreign-invested Enterprises

1. Fundamental Principles of Financial Management of Foreign-invested Enterprises

Financial management of a foreign-invested enterprise is an aspect of business management related with the creation and efficient use of currency needed for the business operation as well as tax payment, distribution of profits and redemption of investment as prescribed by the State.

The objects of the financial management of a foreign-invested enterprise shall include the financial plan that was discussed and decided at the board of directors or the joint consultative board of the enterprise concerned, investment property, property accrued in the course of business activities, dividends and amount of redemption for investment.

A foreign-invested enterprise shall open an account with a bank of the DPRK engaged in external settlement business to undertake financial management.

Where an account is to be opened with a bank in a foreign country, agreement thereon shall be obtained from the central financial guidance organ.

Property of a foreign-invested enterprise shall be protected by the law and regulations for financial management of foreign-invested businesses.

2. Acquisition of Capital

A foreign-invested enterprise may procure capital through such modes as contribution made by the investors, loans, donation and profit accumulation. Capital shall comprise registered capital, loaned capital, and capital accrued in the course of business operation.

Fixed and fluid assets needed for the establishment and operation of the business shall be created by means of its registered capital and its shortage be covered with loaned capital.

Registered capital may be increased but not be reduced during its term of operation. Its composition and size shall accord with the relevant law and regulations.

A foreign-invested enterprise shall correctly register the property contributed by investors and keep them under good management. A document confirming the amount of contribution shall be audited by an audit office as prescribed in the accounting law and regulations for foreign-invested businesses.

The contribution made by an investor without following the conditions of the contract shall not be recognized as the invested property, and the investor shall compensate for the loss inflicted owing to his failure to make contribution within the period of time specified in the letter of approval of the establishment of the enterprise.

3. Financial Plan and Revenues

3.1 Financial Plan

A foreign-invested enterprise shall work out its financial plan independently and discuss and decide it at the board of directors or the joint consultative board.

A foreign-invested enterprise shall formulate a separate financial plan to budget only the expenditure related to the preparation for the establishment, in case it shall make contribution within the period of time specified in the letter of approval of its establishment.

Expenditure on the preparation for establishment shall include overheads, the costs of equipment assembly, construction and maintenance costs of buildings, rents for buildings, sample production costs, expenses for the training of skilled workers and the like.

During the preparatory period of establishment, only city management and vehicle taxes and the social insurance premium charged to the enterprise shall be payable.

A foreign-invested enterprise shall register its financial plan for the following year which has been discussed and decided by the board of directors or the joint consultative board, with the central financial guidance organ not later than December 25 of the given year.

3.2 Financial Revenues

A foreign-invested enterprise shall increase production, find overseas markets, reduce unproductive expenditure and constantly improve its management, so as to increase financial revenue. Financial revenues of a foreign-invested enterprise comprise the incomes from business operation and other sources.

A foreign-invested enterprise shall use the incomes from the sale of sample products and other earnings during the preparatory period of establishment to cover the expenses disbursed in accordance with the financial plan during the given period. Any remaining income shall be set aside as retaining profit to be included in the net profit of the enterprise after its establishment.

A foreign-invested enterprise shall make accurate calculation each time the following incomes are earned:

- Incomes earned from the sale of industrial products, transfer of construction work, and consignment processing
- Incomes earned from the sale of goods in the commercial sector, services of public catering or financial sectors, freight fees and charges in the transport and communications sectors
- Incomes from the lease or transfer of property and other sources

4. Loan

A foreign-invested enterprise may secure a loan for its business operation either from a DPRK bank or a foreign bank.

The objects of the loan shall include items of foreign currency required for the modernization of production processes and other business activities. The interest rate on a loan shall be decided according to the agreement between the bank and the foreign-invested enterprise.

5. Outflow of Foreign Currency

– A foreign investor may remit out of the territory of the DPRK the following foreign currencies without being taxed or transfer capital without any restrictions.

- Profit dividends after tax payment
- Other earnings after tax payment
- Proceeds from the transfer of contribution shares
- Money that remains after liquidation of business
- Principal and interest for redemption of loans from foreign countries
- A foreign individual may remit out of the territory of the DPRK foreign currency amounting to 60% of his total salary and obtain approval of the foreign exchange control organ to remit the amount exceeding 60%.

– A foreign-invested business may take out of the territory of the DPRK foreign currency required for import of raw and other materials for production and management purposes.

- Funds for importing raw and other materials and equipment
- Funds for importing materials for management purposes
- Funds for the maintenance of branches, representative offices, agencies and liaison offices set up in foreign countries
- Funds for the acquisition of securities or real estates of foreign countries
- Funds settled for other purposes

6. Accounting and Audit of Foreign-invested Enterprises

6.1 Accounting

Accounting Law of the DPRK for Foreign-invested Businesses was adopted on October 25, 2006 by Decree No. 2037 of the Presidium of the Supreme People's Assembly. The regulations for its implementation were adopted by Decision No. 48 of the DPRK Cabinet on August 19, 2013.

The relevant law and regulations provide the investors with conditions more favourable for their business activities and protect the interests of the enterprises using information of accounts by applying the worldwide trend of account development, international standards of financial reports and accounts in conformity with the actual conditions of the country and in a creative way.

The accounting law and regulations shall be applicable to the foreign-invested enterprises and banks, and branches, representative offices and agencies of foreign enterprises that earn income within the territory of the DPRK for more than 3 consecutive months as well as audit offices.

The DPRK is channelling great efforts into making the standards of financial reports that are recently spreading worldwide meet the interests of investors and also paying great attention to ensuring accuracy in accounting practices in foreign-invested businesses.

The financial year of a foreign-invested enterprise shall start on January 1 and end on December 31. The financial year of the enterprise that is newly set up shall be from the date of inauguration to December 31, and that of a dissolved or bankrupt business from January 1 to the date of dissolution or bankruptcy.

The accounting currency of a foreign-invested enterprise shall be Korean *won*. In case convertible currency may be used as accounting currency subject to the approval of the central financial guidance organ, the accounting statement shall be expressed in Korean *won* at the set rate of exchange.

Accounting documents shall be preserved for 5 years, yearly financial accounting statements for 10 years, and any accounting program and relevant database, register of fixed assets and books of credits and liabilities for the duration of the enterprise.

Financial accounting statements shall include balance sheet, profit and loss statement, cash flow statement, profit distribution statement or loss disposal statement, and have legal force after being audited.

Accounting of a foreign-invested enterprise shall be conducted only by persons duly qualified, and auditing be undertaken by the audit office of foreign-invested business in the territory of the DPRK.

6.2 Audit

The DPRK adopted on October 8, 2015 by Decree No. 710 of the Presidium of the Supreme People's Assembly the Audit Law for Foreign-invested Businesses.

Audit of foreign-invested businesses aims at providing objective and impartial audit of the accounting practices of foreign-invested businesses for the accuracy and legality as well as legal guarantee for the auditing results. It shall be conducted mainly in respect of investment, settlement of accounts, calculation and liquidation, and at the request of the business shall include the audit concerning merger, division, transfer of property, reassessment, scrapping, security for a loan and reinvestment.

The auditing covers wide-ranging and various objects.

An audit office shall give legal consultation in relation to accounting and act as an agent or advisor. Audit shall be done only by a qualified auditor.

6.2.1 Audit of Investment

Audit of investment is a work of examining and ascertaining the accuracy of actual records of property contributed by the investor, their legality and effectiveness.

A foreign-invested enterprise that is newly established, merged and separated or makes reinvestment shall have its investment audited.

The application of the auditing for a newly established enterprise shall be submitted to an audit office before the inauguration of the business, for the merger or break-up within 2 months of registration of the change of business with the organ concerning the approval of enterprise establishment, and for reinvestment within 1 month of the end of the investment concerned. Issuance of a certificate of investment, distribution of profit, redemption of investment and division of cleared property shall not be conducted without having the investment audited.

A foreign-invested enterprise may start its operation after it makes investment within the period specified in the letter of approval of the establishment and has its investment audited.

The audit report of investment shall specify the opinions of the investors and auditor about the plan of investment, actual records, ratio of investment, and auditing procedures, signs of investors from both parties and auditor, date of audit and official seal of the audit office.

The report shall be preserved until the end of duration of the foreign-invested business.

6.2.2 Audit of Calculation

Audit of calculation is the work of examining and ascertaining on a regular basis the accuracy and legality of the account records and calculation data of a foreign-invested enterprise.

6.2.3 Audit of Settlement of Accounts

Audit of settlement of accounts aims at examining and ascertaining the accuracy and legality of the statements of settlement of accounts submitted by the foreign-invested enterprise for the accounting periods.

A foreign-invested enterprise shall compulsorily have its yearly statement of settlement of accounts audited.

The audit office shall conduct auditing of settlement of accounts by examining the balance sheet, profit and loss statement, profit distribution statement, loss disposal statement, cash flow statement and auxiliary statement.

The foreign-invested enterprise shall have its yearly statement of settlement of accounts audited by following February after the financial year, and the audit office shall issue a report thereon.

6.2.4 Audit of Liquidation

Audit of liquidation shall examine and ascertain the accuracy of the liquidation report prepared by the liquidation committee concerning the dissolution or bankruptcy of a foreign-invested business.

Audit of liquidation shall be conducted by examining the liquidation report of the foreign-invested enterprise to be dissolved. The report shall include the composition of the liquidation committee and its work, balance sheet, credits and liabilities statement, property inventory statement, asset distribution statement and tax payment bills.

Audit of liquidation of a foreign-invested business that is bankrupt shall be conducted only upon request by the court.

6.2.5 Audit Office

An audit office shall truthfully specify in the audit report the particulars of important business transactions that came to its knowledge or it was informed of while conducting the auditing, and conduct auditing objectively and impartially.

It is forbidden to reveal the confidentialities of the enterprise that came to knowledge during the auditing.

The audit office shall prepare the audit report and give it to the applicant.

The audit report shall specify the object of audit, opinions, date of submitting the report and name of the auditor, have the seal of the audit office, and be kept for five or ten years or eternally in accordance with the objects.

The opinions shall be classified into affirmative opinion, conditionally affirmative opinion, negative opinion and refusal of auditing.

The audit office is answerable for the auditing results to the law.

Pyongyang Audit Office of the DPRK, a member of the Confederation of Asia and Pacific Accountants since November 2004, abides by the regulations stipulated by the CAPA, and participates in international seminars and conferences in relation with the accounting, thereby improving the quality of the auditing.

Necessity for Audit of Investment

The audit of investment in business shall confirm the contribution share of an investor, the basis of profit distribution, make it possible to issue a certificate of investment and provide a legal guarantee for distribution of profits, redemption of investment and distribution of cleared property.

It shall also confirm the sizes of property of the investors and take prior measures to deal with possible disputes.

Necessity for Audit Report of Investment

The audit report of investment contains overall procedures of investment activities including the types of property invested, time and methods of investment.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특허증서

Chapter 10
Protection of Intellectual Property Rights

1. Protection of Invention and Patent Rights

2. Protection of Copyright

3. Protection of Trademark Right

4. Protection of Industrial Design Right

Chapter 10 Protection of Intellectual Property Rights

Rights of intellectual property are firmly guaranteed by relevant laws and regulations in the DPRK. Intellectual property rights are composed of those to protect the rights to inventions, patents, copyrights, trademarks and industrial designs.

1. Protection of Invention and Patent Rights

Invention Law of the Democratic People's Republic of Korea that was adopted by Decision No. 112 of the Standing Committee of the Supreme People's Assembly on May 13, 1998, and amended by Decree No. 2052 of the Presidium of the Supreme People's Assembly on December 21, 2011, provides legal protection to patent and invention rights.

The DPRK government is promoting exchanges and cooperation with many countries of the world and international organizations in the field of invention administration.

Institutions, enterprises, organizations and citizens that wish to be granted the right to an invention or a patent for their new scientific and technological achievements shall file an application for the registration thereof. The scientific and technological achievements made jointly by a DPRK citizen and a foreign citizen shall be applied for registration in their own names or in the name of the institution, enterprise or organization that they belong to.

An application by a foreign corporate body or an individual shall be submitted through a patent agency. The term of a patent protection shall be 15 years from the date of issuance of the priority. It shall be extendable by 5 years upon request by the patent owner.

Where the patented science and technology is to be used for public interest, the State may take over the patent or the right to use the science and technology thereof. In this case, due reimbursement shall be made to the patent owner.

A patent right may be changed into an invention right if the owner so wishes, but an invention right shall not be changed into a patent right.

The right to use patented science and technology and the data or products thereof shall be transferred to a foreign country subject to the agreement of the central guidance organ of science and technology administration and the approval of the Cabinet.

2. Protection of Copyright

The copyright shall be protected by Copyright Law of the DPRK adopted by Decree No. 2141 of the Presidium of the Supreme People's Assembly on March 21, 2001.

The copyright of a corporate body or an individual whose country is a party to a convention to which the DPRK has acceded shall be protected by the convention. Where a corporate body or an individual whose country is not a party to the same convention makes public works for the first time in the DPRK, the works shall be protected by this Law.

The DPRK government is promoting exchange and cooperation with foreign countries and international organizations in the field of copyright.

The object of copyright shall be as follows:

1. Works of scientific treatises, novels and poems;
2. Works of music;
3. Works of theatrical art such as opera, drama, acrobatics and dance;
4. Works of visual art such as film and television program;
5. Works of fine arts, such as painting, sculpture, industrial art, calligraphy and design;
6. Works of photography;
7. Works of graphic art such as map, chart, blueprint, sketch and model; and
8. Computer programs

Objects of related copyrights and compiled works shall be prescribed by the copyright law.

The copyright of a work created in the name of an individual shall be owned by the author, and that created in the name of an institution, enterprise or organization shall be owned by the institution, enterprise or organization concerned. The joint copyright shall be exercised by the agreement of the holders of the rights thereof.

The copyright holder shall have moral right and property right to his works.

The moral right of a copyright holder shall belong exclusively to the author. The moral right shall neither be transferred nor inherited, and be protected for an unlimited period of time.

The whole or a part of the property right of a copyright holder may be transferred or inherited.

The property right to a copyrighted work shall be protected from the moment of its publication to the 50th year after the death of its author. The property right to a joint copyrighted work shall be protected from the moment of its publication to the 50th year after the death of the last survivor of the co-authors.

The property right to a copyrighted work or copyrighted visual art works whose author is an institution, enterprise or organization shall be protected for up to 50 years from the moment of its publication. The term of copyright protection shall be calculated from January 1 of the year following the publication of the work or the death of its author.

The copyrighted works shall be used by the copyright holders. Institutions, enterprises, organizations and citizens may also use the work subject to the authorization of the copyright holder.

A related right holder that performs, sound-records, video-records or broadcasts shall not infringe on the right of the copyright holder to his work.

The term of protection of related right shall be up to 50 years from the moment of performance, sound- or video-recording or broadcasting. It shall be calculated from the 1st of January of the year after the performance, sound- or video-recording or broadcasting.

The term of protection of the moral right of software copyright holder shall be indefinite and that of the economic right shall be until December 31 of the 30th year from the date of its registration. Where necessary, the term of protection of the economic right may be extended by up to 20 years.

The term of protection of the economic right of a transferred software copyright shall be the remaining period from the date of its registration.

3. Protection of Trademark Right

The trademark right is protected by Trademark Law of the DPRK adopted on January 14, 1998 by Decision No. 106 of the Standing Committee of the Supreme People's Assembly and amended on December 21, 2011 by Decree No. 2052 of the Presidium of the Supreme People Assembly.

The trademark rights possessed by institutions, enterprises, organizations and citizens are protected by law and famous trademarks are maintained.

Institutions, enterprises, organizations and citizens that wish to apply for the registration of a trademark shall prepare an application for submission to the trademark registration organ directly or by post.

Foreign institutions, enterprises, organizations and citizens that wish to have their trademark registered in the DPRK shall, through their agency, submit an application prepared in Korean language to the trademark registration organ. In this case, the agency shall present a letter of attorney.

Institutions, enterprises, organizations and citizens may, through an international organization or an agency concerned, register in a foreign country the trademark that has been registered with the trademark registration organ.

Where a trademark is presented at an exhibition or a show, the institution, enterprise, organization or citizen concerned shall have a priority to the application for the registration of the trademark concerned.

The document requiring priority shall be submitted to the trademark registration organ within 3 months of exhibiting the trademark concerned.

The priority of application for trademark registration foreign institutions, enterprises, organizations and citizens received in their countries or other countries shall be effective only when the relevant document is submitted to the trademark registration organ of the DPRK within 6 months of receipt thereof.

The trademark right shall be held by the institutions, enterprises, organizations or citizens that had the trademark registered with the trademark registration organ. The trademark right that was registered under a joint name shall be held jointly.

The term of trademark right shall be 10 years from the date of application for registration. The term may, upon application by the institutions, enterprises, organizations and citizens that hold the trademark right, be extended by 10 years each time. Institutions, enterprises, organizations or citizens that wish to have the term of protection extended, shall file an application with the trademark registration organ.

An application for the extension of the term shall be filed within 6 months before the expiry of the term. In an unavoidable situation, the application may be filed within 6 months after the expiry.

4. Protection of Industrial Design Right

The Law of the DPRK on Industrial Designs, which was adopted on June 3, 1998 by Decision No. 117 of the Standing Committee of the Supreme People's Assembly and amended on December 21, 2011 by Decree No. 2052 of the Presidium of the Supreme People's Assembly, shall grant protection to the right to industrial designs.

Industrial designs shall include designs and decorations of machines, equipment, means of transportation, textiles, articles for daily and cultural use, garments, furniture, furnishings and packing containers.

Institutions, enterprises, organizations and citizens that wish to apply for the registration of an industrial design shall submit an application to the industrial design registration organ. Foreign institutions, enterprises, organizations and citizens that wish to have their industrial designs registered in the DPRK shall file, through their agency, an application in Korean language to the industrial design registration organ.

In case institutions, enterprises, organizations and citizens have presented industrial designs or their specimen products to exhibitions, they shall be granted priority in applying for the registration thereof. In this case a document justifying the priority shall be submitted to the industrial design registration organ within 3 months of presenting industrial designs or their specimen products to the said exhibition. The priority of application for the registration of industrial designs foreign institutions, enterprises, organizations and citizens received in their countries shall be valid when the relevant document is presented to the industrial design registration organ of the DPRK within 6 months of receipt thereof.

The industrial design right shall be held by the institutions, enterprises, organizations and citizens whose industrial designs have been registered. The right to the industrial designs registered under joint names shall be held jointly.

The term of protection of the industrial design right shall be 5 years from the date of its application for registration. Upon application by the institutions, enterprises, organizations and citizens that hold the industrial design rights, the term of protection may be extended twice, each by 5 years. In this case an application for the extension of the term shall be submitted to the registration organ 6 months before the expiry of the original term. In unavoidable circumstances, the application may be submitted within 6 months after the expiry of the original term of protection.

The industrial design rights shall be invalid, in case the registered industrial design is cancelled, the term of its protection expires or the industrial design is not used for 2 years from the date of its registration.


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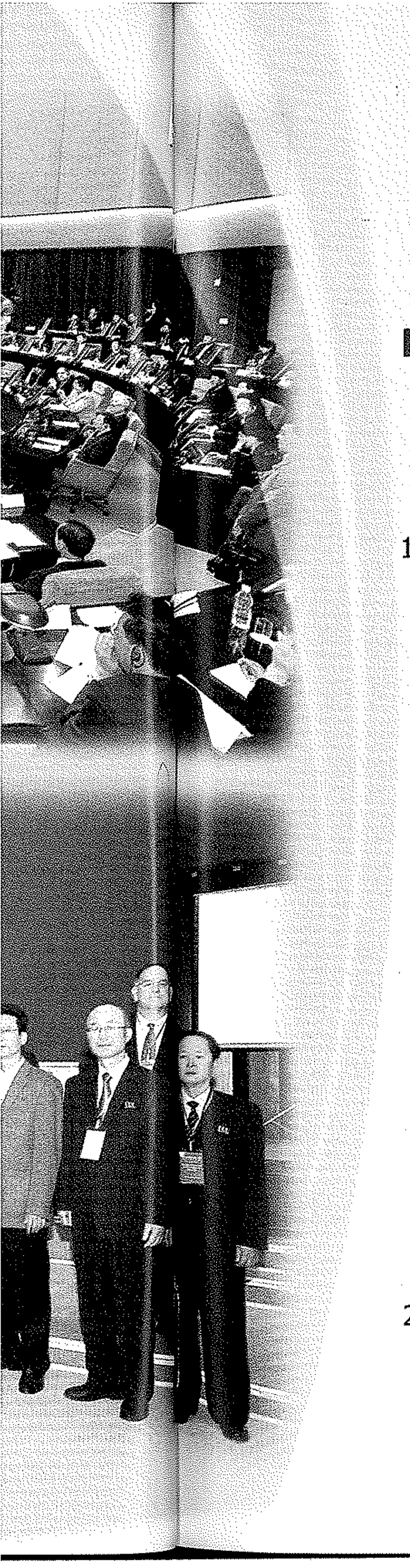

Chapter 11
Economic Development Zones, Wonsan - Mt. Kumgang International Tourist Zone

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Economic Development Zones, Wonsan – Mt. Kumgang International Tourist Zone

The Democratic People's Republic of Korea has adopted the law on economic development zones on May 29, 2013 by Decree No. 3192 of the Presidium of the Supreme People's Assembly and declared on November 21, 2013 by Decree No. 3450 of the Presidium of the Supreme People's Assembly that it would establish preferentially 13 economic development zones in eight provinces.

Economic development zones established in the provinces are strengthening economic ties with the areas outside them in accordance with their specific economic and technical foundations and physiographical features, while selecting locations favourable for economic and trade transactions and transport with foreign countries and working out long-term plans for them.

Foreign investors may choose economic development zones suited to their fields and according to their wishes and make investment in various fields such as industry, agriculture, trade, tourism and logistics, in the following modes.

First: The State shall build infrastructure of a given economic development zone in a comprehensive way and introduce foreign investment to establish and run businesses.

Second: A foreign development enterprise that has obtained an approval for development from the State shall build infrastructure in the economic development zones and shall re-lease the land to a foreign-invested enterprise to be established there.

Third: Foreign and DPRK businesses shall establish a joint development, obtain approval for development and jointly build infrastructure in the economic development zone and re-lease the land to foreign-invested enterprises.

This book shall not introduce the Rason Economic and Trade Zone, Hwanggumphyong and Wihwado Economic Zone, Kaesong Industrial Park and Mt. Kumgang Special Zone for International Tourism, and Mubong Special Zone for Tourism which are now under development.

1. Economic Development Zones

1.1 Manpho Economic Development Zone

1.1.1 Goal

It is to establish a comprehensive economic development zone that serves the international tourism, trade, modern agriculture and industry.

1.1.2 Location

It covers some areas in Manpho, such as Poldung Island area in Mitha-ri for tourism, Ripsok area for agriculture and Phosang area in Posang-ri for industry (126° 05′ E – 126°10′ E, 41°04′ N – 41°06′ N).

1.1.3 Area of Development: 3㎢

1.1.4 Mode of Development

The mode is a joint development between an enterprise of the DPRK and a foreign investor.

1.1.5 Period of Cooperation: 50 years

1.2 Chongjin Economic Development Zone

1.2.1 Goal

It is to establish an economic development zone that mainly comprises metal-processing and machine-building industries, production of building materials, electronic goods and light industry goods and export processing, as well as transit trade via Chongjin Port.

1.2.2 Location

It covers Wolpho-ri, Namsok-ri and some of Susong-dong in Songphyong District, Chongjin, in the vicinity of Chongjin Port, the largest international port on the East Sea of Korea (about 129° 43′ E – 129° 44′ E, about 41° 47′ N – 41° 48′ N).

1.2.3 Area of Development: About 5.4㎢

1.2.4 Mode of Development

The mode is a joint development between an enterprise of the DPRK and a foreign investor or solely by a foreign enterprise.

1.2.5 Period of Cooperation: 50 years

1.3 Hyesan Economic Development Zone

1.3.1 Goal

It is to establish an integrated economic development zone with the main emphasis on export processing, modern agriculture, tourism and foreign trade.

1.3.2 Location

It covers some of Sinjang-ri, Hyesan, Ryanggang Province that is located around Lake Samsu and faces Changbai County, Jilin Province, China across the Amnok (about 128° 10′ E, about 41° 18′ N).

1.3.3 Area of Development: About 2㎢

1.3.4 Mode of Development

The mode is a joint development between a DPRK enterprise and a foreign investor or solely by a foreign enterprise.

1.3.5 Period of Cooperation: 50 years

1.4 Amnokgang Economic Development Zone

1.4.1 Goal

It is to establish an economic development zone where economic development is intergrated with the main emphasis on export processing, modern agriculture, tourism and foreign trade.

1.4.2 Location

It covers Ryongun-ri, Sinuiju in North Phyongan Province (124° 32′ E – 124° 34′ E, 40° 13′ N – 40° 14′ N).

1.4.3 Area of Development: About 6.3㎢

1.4.4 Mode of Development

The mode is a joint development between an enterprise of the DPRK and a foreign investor or solely by a foreign enterprise.

1.4.5 Period of Cooperation: 50 years

1.5 Hyondong Industrial Development Zone

1.5.1 Goal

It is to establish in the area close to Wonsan Port on the east coast an industrial development zone that engages in the production of tourist goods and IT industry well suited to the characteristics of a port city of culture and international tourism and the demand of the tourists and holiday-makers at home and from abroad.

1.5.2 Location

It covers some of Hyondong-ri southeast of Wonsan, Kangwon Province (about 127° 27′ E, about 39° 06′ N).

1.5.3 Area of Development: About 2㎢

1.5.4 Mode of Development

The mode is a joint development between a DPRK enterprise and a foreign investor or solely by a foreign enterprise.

1.5.5 Period of Cooperation: 50 years

1.6 Hungnam Industrial Development Zone

1.6.1 Goal

It is to build an export-oriented industrial development zone with the main stress on chemical, machine, pharmaceutical and light industries based on existing industrial foundations in the Hamhung area.

1.6.2 Location

It covers some areas of Tokphung-dong, Haean District, Hamhung, South Hamgyong Province (about 127° 33′ E, about 39° 50′ N).

1.6.3 Area of Development: 2.2㎢ for the first stage

1.6.4 Mode of Development

The mode is a joint development between an enterprise of the DPRK and a foreign investor.

1.6.5 Period of Cooperation: 50 years

1.7 Wiwon Industrial Development Zone

1.7.1 Goal

It is to build an industrial development zone that mainly engages in the processing of mineral resources, timber and local agricultural products and the manufacture of machinery and equipment as well as researches into sericulture and freshwater fish farming.

1.7.2 Location

It includes some areas of Wiwon County in the northwestern part of Jagang Province and opposite to Jian in Tonghua, Jilin Province, China (about 126° 04′ E, about 40° 54′ N).

1.7.3 Area of Development: About 2.28km²

1.7.4 Mode of Development

The mode is an equity or contractual joint development between a DPRK enterprise and a foreign investor.

1.7.5 Period of Cooperation: 50 years

1.8 Pukchong Agricultural Development Zone

1.8.1 Goal

It is to establish an export-oriented agricultural development zone with the main stress on fruit and livestock farming and fruit-processing.

1.8.2 Location

It covers some areas of Mundong-ri, Pudong-ri and Jongsan-ri in Pukchong County in South Hamgyong Province (about 40° 8′ N, about 128° 15′ E).

1.8.3 Area of Development: About 3.5km²

1.8.4 Mode of Development

The mode is a joint development between an enterprise of the DPRK and a foreign investor or solely by a foreign enterprise.

1.8.5 Period of Cooperation: 50 years

1.9 Orang Agricultural Development Zone

1.9.1 Goal

It aims to establish a modern and integrated agricultural development zone with the agricultural and livestock farming bases that introduce food production cycle as well as the base of agricultural science research into seed production and breeding.

1.9.2 Location

It covers some areas of Ryongjon-ri and Puphyong-ri in Orang County, close to Orang Airport and Hamhung – Chongjin Road in North Hamgyong Province (about 128° 58′ E – 129° 48′ E, about 41° 15′ N – 41° 37′ N).

1.9.3 Area of Development: 4㎢

1.9.4 Mode of Development

The mode is a joint development between an enterprise of the DPRK and a foreign investor or solely by a foreign enterprise.

1.9.5 Period of Cooperation: 50 years

1.10 Waudo Export Processing Zone

1.10.1 Goal

It is to establish an export-oriented processing zone that introduces advanced modes of development and operation.

1.10.2 Location

It covers some areas of Ryongnam-ri in Waudo District situated on both sides of the road from the lower part of the Taedong River to the West Sea Barrage southwest to Nampho (125° 18′ E, 38° 43′ N).

1.10.3 Area of Development: About 1.5㎢

1.10.4 Mode of Development

The mode is a joint development between an enterprise of the DPRK and a foreign investor or solely by a foreign enterprise.

1.10.5 Period of Cooperation: 50 years

1.11 Songnim Export Processing Zone

1.11.1 Goal

It is to establish an integrated zone that engages in export processing, warehousing and bonded warehouse processing as well as consignment processing and others relying on the locally-available raw and other materials.

1.11.2 Location

It covers some areas of Sosong-ri in Songnim City in North Hwanghae Province on the lower Taedong, which faces Taean District in Nampho in the west and is adjacent to Kangnam County in Pyongyang in the north (about 125° 40′ E, about 38° 47′ N).

1.11.3 Area of Development: About 2㎢

1.11.4 Mode of Development

The mode is a joint development between an enterprise of the DPRK and a foreign investor or solely by a foreign enterprise.

1.11.5 Period of Cooperation: 50 years

1.12 Sinphyong Tourist Development Zone

1.12.1 Goal

It is to build a tourist development zone for enjoying sightseeing, climbing, holiday-making, sports and amusement games in scenic spots in the area, called Mt. Kumgang in Sinphyong.

1.12.2 Location

It covers some of Phyonghwa-ri, Sinphyong County, North Hwanghae Province situated in the middle part of the Pyongyang-Wonsan Highway (about 129° 43′ E – 44′ E, about 41° 47′ N – 48′ N).

1.12.3 Area of Development: Estimated area is 8.1㎢.

1.12.4 Mode of Development

The mode is a joint development between an enterprise of the DPRK and a foreign investor or solely by a foreign enterprise.

1.12.5 Period of Cooperation: 50 years

1.13 Onsongsom Tourist Development Zone

1.13.1 Goal

It is to develop the area into a tourist development zone with service facilities such as golf course, swimming pool, horse-race track and national food restaurant for foreigners.

1.13.2 Location

It covers Onsong Island in Onsong County, North Hamgyong Province (About 129° 58′ 29″ E – 130° 00′ 08″ E, about 42° 58′ 14″ N – 42° 59′ 06″ N).

1.13.3 Area of Devleopment: 1.7㎢

1.13.4 Mode of Development

The mode is solely by a foreign enterprise or a joint development between an enterprise of the DPRK and a foreign investor

1.13.5 Period of Cooperation: 50 years

1.14 Unjong Hi-Tech Development Zone

1.14.1 Goal

It is to build the area into a hi-tech development zone that mainly engages in the researches into advanced IT, nano- and new materials, and bio-engineering technologies and the manufacture of cutting-edge industrial equipment, as well as processing trade and commercial and service activities.

1.14.2 Location

Unjong District in Pyongyang (125° 52′ E, 39° 10′ N)

1.14.3 Area of Development: 2.4㎢, with 1.4㎢ for the first section and 1㎢ for the second section

1.14.4 Mode of Development

The mode is a joint development between an enterprise of the DPRK and a foreign investor or solely by a foreign development enterprise.

1.14.5 Period of Cooperation: 50 years

1.15 Sinuiju International Economic Zone

1.15.1 Goal

It is to develop the area into an integrated economic zone which has an high-tech industry, foreign trade, tourism, finance and bonded processing.

1.15.2 Location

It is adjacent to Uiju County in North Phyongan Province in the northeastern part, South Sinuiju in Sinuju in the eastern and southeastern part, and Ryongchon County in the southern part. (124° 25′ E, 40° 06′ N).

1.15.3 Area of Development: Estimated area is 38㎢.

1.15.4 Mode of Develeopment

The mode is a joint development between an enterprise of the DPRK and a foreign investor.

1.15.5 Period of Cooperation: 50 years

1.16 Kangnyong International Model Green Zone

1.16.1 Goal

Its goal is to develop the town area of Kangnyong County in South Hwanghae Province with soil conditions favourable for growing several crops and natural and geographical conditions for fish farming in sea and fresh waters into an industrial zone with the main stress on research, development and introduction of green industrial technologies and processing of organic farm produce and by-products. By doing so, the area will be built as a model of green industry, and the whole Kangnyong County will be built into an international green area based on the successes and experiences.

1.16.2 Location

It is located in the southwestern part of Kangnyong Township in South Hwanghae Province (125° 28′ E – 125° 30′ E, 37° 53′ N – 37° 54′ N).

1.16.3 Area of Development: About 3.5㎢

1.16.4 Mode of Development

The mode is a joint development between an enterprise of the DPRK and a foreign investor or solely by a foreign development enterprise.

1.16.5 Period of Cooperation: 50 years

1.17 Jindo Export Processing Zone

1.17.1 Goal

It is to make best use of favourable conditions of Nampho with Nampho Port, the biggest on the west coast of Korea, and a long history of industry, thus importing raw materials duty-free for production of light industry and chemical goods and exporting them.

1.17.2 Location

It covers some areas of Ryongnam-ri, Waudo District in Nampho (125° 18′ E, 38° 43′ N).

1.17.3 Area of Development: About 1.8㎢

1.17.4 Mode of Development:

The mode is a joint development between an enterprise of the DPRK and a foreign investor or solely by a foreign enterprise.

1.17.5 Period of cooperation: 50 years

1.18 Chongnam Industrial Development Zone

1.18.1 Goal

It is to introduce advanced technology and state-of-the-art machinery into some areas of Ryongbuk-ri in Chongnam District, South Phyongan Province with abundant underground deposits of brown coal and the concentration of locally-run factories, so as to develop the area into an industrial development zone that engages in the manufacture of machines, accessories and tools needed in mining industry as well as chemical goods made from coal, sale and export of them.

1.18.2 Location

It covers some part of Ryongbuk Cooperative Farm in Chongnam District situated in the south of the Chongchon River in Mundok County, South Phyongan Province (125° 27′ E, 39° 30′ N).

1.18.3 Area of Development: About 2㎢

1.18.4 Mode of Development

The mode is a joint development between an enterprise of the DPRK and a foreign investor or solely by a foreign development enterprise.

1.18.5 Period of Development: 50 years

1.19 Sukchon Agricultural Development Zone

1.19.1 Goal

The goal is to build an economic development zone for creating, introducing and diffusing scientific farming methods for plain areas and for processing grains and meat by utilizing the favourable conditions of the area, which is situated in the middle area of Yoltusamcholli Plain and has developed agricultural techniques and irrigation network and where hilly and plain fields are integrated.

1.19.2 Location

It covers some areas of Unjong-ri, 5 km away from the town of Phyongwon County in South Phyongan Province (125° 36′ E, about 39° 23′ N)

1.19.3 Area of Development: About 3㎢

1.19.4 Mode of Development

The mode is a joint development between an enterprise of the DPRK and a foreign investor or solely by a foreign development enterprise.

1.19.5 Period of Cooperation: 50 years

1.20 Chongsu Tourist Development Zone

1.20.1 Goal

It is to build a tourist development zone by utilizing advantageous natural and geographical conditions of the Amnok.

1.20.2 Location

Pangsan-ri, Sakju County, North Phyongan Province (124° 50′ 20″ E, 40° 26′ 15″ N)

1.20.3 Area of Development: About 1.4㎢

1.20.4 Mode of Development

The mode is a joint development between an enterprise of the DPRK and a foreign investor or solely by a foreign enterprise.

1.20.5 Period of Cooperation: 50 years

Foreign investors and overseas Korean businesspersons may contact with the following address for more details of information and guide to the economic development parks in the DPRK.

Address: Korea Economic Development Association

Tel: 00850-2-381-5912

Fax: 00850-2-381-5889

E-mail: sgbed@star-co.net.kp

2. Wonsan – Mt. Kumgang International Tourist Zone

The Presidium of the Supreme People's Assembly of the DPRK issued Decree No. 48 on naming the Wonsan and Mt. Kumgang area the Wonsan – Mt. Kumgang International Tourist Zone on June 11, 2014, in a bid to further enliven the international sightseeing tour of the Wonsan area and other scenic spots on the east coast of Korea, including Mt. Kumgang, a celebrated mountain in Korea, which are developing into world-famous tourist destinations.

The Zone includes the areas of Wonsan, Masikryong Ski Resort, Ullim Falls, Sogwang Temple, Thongchon and Mt. Kumgang, totalling some 400㎢ in area.

The Wonsan area includes part of Wonsan and Anbyon County; the Masikryong Ski Resort area, part of Wonsan and Poptong County; the Ullim Falls area, part of Munchon City and Chonnae County; the Sogwang Temple area, part of Kosan County; the Thongchon area, part of Thongchon County; and the Mt. Kumgang area, the Mt. Kumgang Special Zone for International Tourism and part of Kosong and Kumgang counties.

In the Zone there are about 140 historical relics, some 10 sand beaches, several bathing resorts and natural lakes, over 680 tourist attractions, 4 mineral springs, and more than 3.3 million tons of mud with therapeutic properties for neuralgia and colitis.

Wonsan is the seat of Kangwon Province and a beautiful port city. It is over 300㎢ in area, and in the sea off the city there are beautiful islands all of which cover an area of 4㎢. The annual average temperature is 10.4 °C. The city is subject to oceanic climate and is relatively warm.

Wonsan, located in the centre of the Zone, is 1 – 2 hours' flight from such neighbouring countries as Russia, China and Japan, and 3 – 4 hours' flight from various cities in East Asia.

Meanwhile, the city, a major railway junction linking the east and west coasts of the DPRK, is connected to Dandong, Liaoning Province, China, on the west via Pyongyang and Sinuiju, and to Khasan of Russia on the north via Hamhung and Chongjin. From Pyongyang to Wonsan extends a tourist road running about 200㎞, and from Hamhung to Wonsan a 110㎞-long highway.

Wonsan boasts world-famous Myongsasimni Sand Beach, Songdowon

Sand Beach, Songdowon International Children's Camp, a traditional park, pleasure grounds, zoological and botanical gardens, Jangdoksom Pleasure Resort and other tourist and cultural resorts.

There is Masikryong Ski Resort 25㎞ northwest of Wonsan that was completed in 2013. The resort with an area of 2 200 hectares consists of 10 ski slopes with a total length of 49.6 km, an outdoor ice rink, an outdoor swimming pool, Masikryong Hotel and other tourist facilities.

In the Ullim Falls area of over an area of 1 000 hectares and 68㎞ northwest of Wonsan are 75m-high Ullim Falls, Kusul Falls, Pidan Falls and other pools, all of which are known as tourist attractions.

In the Sogwang Temple area 47㎞ southwest of Wonsan are historical relics, mountaineering routes, spas, medical treatment facilities and lodging quarters.

The Thongchon area is 52㎞ south of Wonsan. There are Chongsokjong which has been called one of the eight scenic spots in Kwandong district of Korea, lakes Tongjong and Sijung, and the Sijungho Bathing Resort. The area has four natural lake districts, six sand beaches, nine tourist attractions, 3.3 million tons of mud efficacious for the treatment of neuralgia and colitis, lodging quarters, clinics, restaurants, shops and other service facilities.

For its fantastic, majestic and beautiful scenery, Mt. Kumgang, over 100㎞ south of Wonsan, is numbered among the renowned mountains of the world. It boasts 30-odd natural monuments, 10-odd historical relics, two nature reserves, bathing resorts and Kumgangsan Hot Spa.

Outer Kumgang of the Mt. Kumgang area includes the scenic spots called Chonbuldong, Manmulsang, Kuryongyon and Sonha with nearly 330 sightseeing spots, 10-odd nature stocks, two bathing resorts, and a hot spa for the treatment of hypertension and neuralgia.

Inner Kumgang area is composed of Manphokdong, Kusong and Manchon scenic spots. Sea Kumgang area consists of Lagoon Samil and Sea Kumgang scenic spots. At present the Mt. Kumgang area has a golf course, sledge ground, ski training ground, bathing resorts, lodging facilities for tourists, restaurants and a hot spa.

The Zone is located near the world-famous Mt. Paektu and Mt. Chilbo tourist regions and called a "pearl" on the east coast of Korea which is endowed with lots of peculiar tourist resources.

The project of developing the Zone is now undertaken by Wonsan Zone Development Corporation of the DPRK. Foreign investors and overseas Korean businesspersons may contact the following address for more detailed information and guide.

Address: Wonsan Zone Development Corporation, DPRK

Tel: 00850-2-381-5030

E-mail: wsinvest@star-co.net.kp

Chapter 12 Korea Foreign Investment and Economic Cooperation Committee

Korea Foreign Investment and Economic Cooperation Committee (KFIECC) is a non-governmental organization that specializes in investment projects at home and abroad.

It deals with institutions, enterprises and companies in the DPRK, as well as foreign non-governmental organizations, businesses, organizations, investors associations, individual entrepreneurs (including overseas Korean compatriots) and non-governmental international organizations.

The KFIECC undertakes following activities:

- It introduces foreign investors to the DPRK policies towards investment, environment, legislation, opportunities of investment.
- It recommends to the government such issues related to investment policy as legal protection and favourable conditions for operation of foreign-invested enterprises.
- It introduces investment projects and organizes field tours, while cooperating in the working out of investment-related documents such as investment feasibility report of selected projects and contracts.
- It helps foreign investors make contacts with institutions, enterprises and companies, legal and financial organs, and accounting offices of the DPRK and get necessary services.
- It mediates in disagreement and disputes among parties to the contracts during operation of foreign-invested businesses and Korean-invested ones established abroad.
- It concludes contracts concerning major investment projects.

The KFIECC shall be contacted as follows:

- Legal Address
  Chongnyu-dong No. 2, Taedonggang District, Pyongyang, DPRK

- Telecommunications
  Tel: 00850-2-381-5963
  Fax: 00850-2-381-5863
  E-mail: koinvest@star-co.net.kp