

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

(Adopted at the Standing Committee of the Supreme People's Assembly on October 5, 1992
and Approved at the Fourth Session of the Ninth Supreme People's
Assembly on December 11, 1992)

SUBJECT: FOREIGN INVESTMENT

ISSUING-DEPT: STANDING COMMITTEE OF THE SUPREME PEOPLE'S ASSEMBLY

ISSUE-DATE: 12/11/1992

IMPLEMENT-DATE: __/__/1992

LENGTH:1201 words

TEXT:

Article 1. It is the consistent policy of the DPRK to develop economic cooperation with other countries. The State encourages foreign investors to invest in the territory of the DPRK on the principles of complete equality and mutual benefit.

Article 2. This law is intended to stipulate the general principles and rules relating to the protection of investment of foreign investors and establishment and operation of foreign-invested enterprises in the DPRK.

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

A foreign-invested enterprise is a contractual or equity joint venture enterprise, or a wholly foreign-owned enterprise that is set up in the territory of the DPRK.

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

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

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

Article 3. A foreign investor shall be permitted to establish equity and contractual joint ventures within the territory of the DPRK and to set up and operate wholly foreign-owned enterprises in the Free Economic and Trade Zone.

Article 4. The State, subject to the laws of the DPRK, shall guarantee the legal rights and interests of foreign investors and foreign-invested enterprises.

Article 5. Institutes, companies, enterprises, individuals, and other economic bodies from abroad shall be permitted to invest within the territory of the DPRK. Korean nationals living outside the territory of the DPRK shall also be allowed to invest, subject to this law.

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

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

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

Article 9. Those foreign investment enterprises that operate in the Free Economic and Trade Zone shall receive preferential treatment as follows:

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

2. No income tax shall be payable for 3 years from the year the profit is first accrued in the production and income tax reduced by up to 50 percent shall be paid for the following 2 years. The rate of income tax shall be 14 per cent, a concessionary rate in comparison with rates in other areas.

Article 10. The State shall make convenient the entry and exit formalities and methods for foreign investors who travel with the purpose of setting up or operating business enterprises in the Free Economic and Trade Zone.

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

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

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

Article 14. Equity and contractual joint venture enterprises and wholly foreign-owned enterprises which are established within the territory of the DPRK shall become bodies corporate of the DPRK. Those branch and representative offices and agencies of foreign-invested enterprises that are set up within the territory of the DPRK shall not become bodies corporate of the DPRK.

Article 15. The State shall lease the land required for foreign investors and the establishment of foreign invested enterprises for a maximum period of 50 years. The leased land may, with the approval of the relevant department, be transferred or inherited, within the term of the lease.

Article 16. A foreign-invested enterprise must take its labour force from the host country. Management personnel, technicians and skilled workers with special job classifications, as prescribed in the contract, may be brought from abroad under an agreement with the external economic department of the Administration Council.

When employing or dismissing citizens of the DPRK, a contract must be made with the relevant labour service agency.

Article 17. Foreign investors and foreign-invested enterprises must pay income tax, business tax, property tax and other taxes, subject to the relevant laws of the DPRK.

Article 18. Foreign investors shall be permitted to reinvest the whole or part of their profit within the territory of the DPRK. In such cases the whole or part of the income tax already paid on the reinvested portion may be recovered.

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

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

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

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

Article 22. Any disagreement concerning foreign investment shall be settled through consultation. Disputes shall be examined and settled by a court of law or an arbitration body of the DPRK, according to prescribed procedures, or may be taken to an arbitration agency in the third countries for settlement.

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