

---

# FOREIGN TRADE LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA

Adopted by Decision No. 104 of the Standing Committee of the Supreme People's Assembly on December 10, 1997, amended by Decree No. 483 of the Presidium of the Supreme People's Assembly on February 26, 1999, amended by Decree No. 807 of the Presidium of the Supreme People's Assembly on December 7, 2004, amended by Decree No. 2195 of the Presidium of the Supreme People's Assembly on March 27, 2007, amended by Decree No. 160 of the Presidium of the Supreme People's Assembly on July 21, 2009, amended by Decree No. 2052 of the Presidium of the Supreme People's Assembly on December 21, 2011 and amended by Decree No. 2303 of the Presidium of the Supreme People's Assembly on April 3, 2012

## Chapter 1 Fundamentals

### Article 1 (Objective)

This Law is enacted for the purpose of providing strict guidelines for the work of foreign trade, thereby expanding the overseas market, ensuring the trade balance and developing the national economy.

### Article 2 (Basic principle of foreign trade)

The DPRK has consistently maintained the policy of promoting foreign trade.

The State shall improve the export structure and trade modes, encourage export and activate local trade as required by the developing realities.

### Article 3 (Multilateral and diversified trade)

Multilateral and diversified trade is a fundamental way of expanding foreign trade.

The State shall encourage trade with foreign countries and companies in various modes and ways.

### Article 4 (Principle)

To maintain credit in foreign trade is a prerequisite for developing trade relations with foreign countries.

The State shall ensure that quality of exports and dates of delivery are guaranteed and obligations of payment are performed properly.

### Article 5 (Trade plans, terms of contract)

Foreign trade of the DPRK shall be conducted in accordance with the plans of national economy and contracts.

The State shall ensure that plans for and contracts of foreign trade are strictly fulfilled.

### Article 6 (Guidance of foreign trade)

The State shall strengthen guidance on foreign trade with a view to ensuring unified and balanced development thereof.

**Article 7 (Most-favoured-nation treatment, national treatment)**

The State shall, in accordance with the trade agreement concerned, afford most favoured-nation-treatment or national treatment to the contracting parties on the principle of reciprocity.

**Article 8 (Countermeasure for sanctions, restrictions or bans)**

The State may take measures to cope with the sanctions, discriminatory restrictions or bans on the DPRK in the field of trade.

**Article 9 (Exchange and cooperation)**

The State shall promote exchange and cooperation with foreign countries and international organizations in the field of trade.

**Article 10 (Trade procedures in special economic zones)**

Trade in the special economic zones shall be subject to the relevant laws and regulations.

## Chapter 2 Trading Companies

**Article 11 (Parties to trade transactions)**

A trading company shall be a party to trade transactions.

Trade transactions shall be conducted only by those trading companies that were established and licensed according to the legal procedures.

**Article 12 (Requirements for establishment)**

A trading company shall meet the following requirements for the establishment:

1. Name and organizational structure;
2. Articles of association;
3. Category of business and indices;
4. Place of business;
5. Source of fund;
6. Necessary experts and staff; and
7. Production bases of commodities, technology or source of service marketable in the external markets.

**Article 13 (Approval, registration, business licensor)**

Institutions, enterprises and organizations that wish to establish a trading company shall submit an application to that effect to the central foreign trade guidance organ.

The central foreign trade guidance organ shall examine the application and obtain the approval thereof from the Cabinet.

The company so established shall be registered with the central foreign trade guidance organ and obtain the business license.

**Article 14 (Rights, obligations)**

Upon obtaining business license a trading company shall have the rights and obligations as a party to foreign trade transactions.

The rights and obligations of a party to foreign trade shall be governed by the relevant law and regulations.

**Article 15 (Scope of transaction)**

A trading company shall conduct trade transactions within the limit of the approved business license.

Trade transactions outside the approved business category and indices shall not be conducted.

#### Article 16 (Conclusion of contracts)

A trading company shall conclude contracts properly before conducting trade transactions.

Where an important foreign trade contract is to be concluded, the contract concerned shall be submitted to the central foreign trade guidance organ for examination.

#### Article 17 (Export or import on consignment)

A trading company may, upon consignment by other trading companies, institutions, enterprises and organizations, conduct trade transactions of approved business categories and indices. In this case a contract should be correctly concluded and performed.

#### Article 18 (Fund transaction, mode of settlement)

A trading company shall conduct fund transactions with the designated bank and settle accounts mainly in terms of letter of credit.

#### Article 19 (Price fixing)

Trade transactions shall be conducted subject to prescribed standard prices and freight.

The external standard prices and freight shall be set by the central foreign trade guidance organ, and the internal standard prices and freight by the central price fixing institution.

#### Article 20 (Establishment of branch, representative office or agency)

A trading company may establish and operate its branch, representative office or agency within and outside the DPRK. In this case approval thereof shall be obtained from the Cabinet via the central foreign trade guidance organ.

#### Article 21 (Alteration of name, business category and indices)

A trading company that wishes to alter the business category or indices shall file an application with the central foreign trade guidance organ for the registration of the particulars of alteration and the confirmation thereof on its license. Any change in the name or the institutional attachment shall be registered in accordance with the procedures for the establishment of a company.

#### Article 22 (Prohibition of infringement on intellectual property right)

A trading company shall not, in the course of trade transactions, infringe on the copyright or industrial property rights of other institutions, enterprises, organizations or citizens.

#### Article 23 (Payment of advances, offer of goods, technique and services)

A trading company shall not pay advances in excess of prescribed amount or offer goods, technique and services to the other party without receiving a legal warranty deed like a bank security document.

#### Article 24 (Withdrawal of business license)

The central foreign trade guidance organ may withdraw the business license of a trading company in case it produces no positive results in export for 1 year.

#### Article 25 (Liability)

A trading company shall be independent in trade transactions.

The liability of a trading company shall not be the liability of another company or the State.

#### Article 26 (Credit, debt)

In case of division of a trading company the credit and debt thereof shall be divided accordingly and in case of merger they shall be transferred to the merged company.

The credit and debt of a bankrupt company shall be liquidated by a designated liquidator.

### Article 27 (Cancellation of registration)

A trading company that is merged or divided shall surrender its business license to the central foreign trade guidance organ to have its registration cancelled.

A trading company whose registration is cancelled shall not conduct trade transactions.

## Chapter 3 Foreign Trade Plans

### Article 28 (Contents of trade plans)

Foreign trade plans are an important item of the plan of national economy.

The foreign trade plans shall include the plans for export, import, cooperative production of exports and cargo shipment for foreign trade.

### Article 29 (Preparation of plans, notification thereof)

Trade plans shall be worked out by the State planning organ.

The State planning organ shall notify the trade plans for the following year to the relevant institutions, enterprises, organizations and trading companies every year within the prescribed time limit.

### Article 30 (Planning methods)

The institutions, enterprises and organizations concerned shall specify estimated figures and planned figures in a foreign trade plan for the following year and submit it to the State planning organ and the central foreign trade guidance organ.

The central foreign trade guidance organ shall examine the plan in respect of the marketability overseas and market price, and submit its comments to the State planning organ.

The State planning organ shall work out plans in such a way as clarifying the general plan for the total sum of exports and imports, and indices of major goods. In this case the list of indices of major goods shall be subject to the approval of the Cabinet.

### Article 31 (Methods of planning of institutions concerned)

Institutions, enterprises and organizations shall subdivide on a monthly basis the foreign trade plan forwarded by the State planning organ and obtain approval thereof from the central foreign trade guidance organ.

Import and export indices outside the trade plans shall be determined by the institutions, enterprises, organizations and trading companies concerned at their discretion.

### Article 32 (Determination of export and import indices, reporting results)

The institutions, enterprises, organizations and trading companies concerned shall, within the range of the total sum of import and export set by the State planning organ, determine the import indices in conformity with the approved business categories, and the export indices in conformity with the approved business categories and the production indices of their own export bases, and report the result within the prescribed period of time to the State planning organ, foreign trade guidance organ concerned and the statistics organ.

### Article 33 (Making cargo shipment plan)

The cargo shipment plans shall be worked out by agencies, assortment, transports and section on a yearly, quarterly and monthly basis.

The annual draft plans for freight shipment submitted by trading companies shall be aggregated by the competent organ to be submitted to the State planning organ.

#### Article 34 (Notification of cargo shipment plan, conclusion of contract)

The State planning organ shall work out a yearly cargo shipment plan for foreign trade on a quarterly basis and forward it to the transportation organs and the organs concerned.

The institutions, enterprises, organizations and trading companies shall, on the basis of a cargo shipment plan for foreign trade, conclude a monthly contract for cargo shipment with the transportation organ.

#### Article 35 (Alteration of trade plan)

Trade plans shall not be altered without approval.

Where a trade plan is to be changed under unavoidable circumstances, institutions, enterprises, organizations and trading companies shall submit relevant documents to the State planning organ and the central foreign trade guidance organ.

## Chapter 4 Guidance of Foreign Trade

#### Article 36 (Foreign trade guidance organ)

To strengthen the guidance of foreign trade is an important guarantee for the correct implementation of the foreign trade policy of the State.

Guidance of foreign trade shall be undertaken by the central foreign trade guidance organ under the unified direction of the Cabinet.

#### Article 37 (Non-standing foreign trade guidance committee)

A non-standing foreign trade guidance committee shall be set up in the central foreign trade guidance organ in order to provide proper guidance to the work of foreign trade.

The non-standing foreign trade guidance committee shall, on a regular basis, discuss the ways to implement the foreign trade policy of the State and to improve foreign trade and take relevant measures.

#### Article 38 (Creation of external environment)

The central foreign trade guidance organ shall enter into agreements with foreign countries and regions and join international and regional economic organizations, thus creating external environment favourable for the development of foreign trade.

#### Article 39 (Measures for expansion of trade transactions)

The central financial guidance organ, central customs guidance organ and the central foreign trade guidance organ may take such measures as reasonably adjusting the payment due to the State and customs duties or granting subsidies for the purpose of expanding trade transactions. In this case approval of the Cabinet shall be obtained.

#### Article 40 (Restrictions on import and export)

Import and export shall be restricted in the following cases:

1. Domestic demand needs to be met and natural resources and environment protected;
2. Development of the national economy may be interfered;
3. The balance of international payments and trade needs to be ensured; and
4. The relevant treaty or agreement so demands.

#### Article 41 (Ban on import and export)

Import and export shall be banned in cases where:

1. National security and public order may be disturbed;

2. Casualties may be inflicted;
3. Environmental protection and growth of animals and plants may be endangered;
4. Economic profitability is not ensured; or
5. The relevant treaty or agreement so demands.

#### **Article 42 (Controlled goods, contrabands)**

The list of items to be restricted or banned from import and export shall be made by the State planning organ and the central foreign trade guidance organ.

The State planning organ and the central foreign trade guidance organ shall make the said list and obtain the approval of the Cabinet before notifying it to the relevant institutions.

The central body of statistics and the relevant organ shall regularly provide the State planning organ and the central foreign trade guidance organ with information necessary for making the said list.

#### **Article 43 (Inspection and quarantine of exports and imports)**

The institutions concerned shall conduct the inspection and quarantine of import and export goods timely and correctly on the basis of the document of price approval, the document of approval of import and export, application for inspection of exports or imports, application for hygienic quarantine and application for the tally of goods.

#### **Article 44 (Bonus, preferential treatment)**

Bonus shall be given to those who fulfill the plan for production or cooperative production of export goods and the plan for export or cargo shipment plan.

Preferential treatment shall be granted to the unit that lays a new export base or opens an export outlet by developing a high-tech product or an internationally competitive product.

#### **Article 45 (Conditions for entitlement to trade transactions)**

Institutions, enterprises and organizations may, following the due procedures, be entitled to conduct business transactions in case they have developed new products, technique or service resources that are competitive in the world market.

#### **Article 46 (Activation of local trade)**

The central foreign trade guidance organ and the relevant organs shall, for the activation of local foreign trade, solve such problems arising in the foreign trade as creating export bases and finding markets.

#### **Article 47 (Establishment of municipal or county trading companies)**

Municipalities (or districts) and counties that have laid export bases that can allow them to manage their economy on their own accounts may establish a trading company. In this case approval shall be obtained from the Cabinet through the central foreign trade guidance organ.

#### **Article 48 (Operation of municipal or county trading companies)**

Trading companies in municipalities (or districts) and counties shall create export bases and conduct PR activities on their own under the guidance of the trade guidance organ of the province (or municipality directly under the central authority) and open their own accounts to run a cost accounting system.

Goods produced in the municipalities (or districts) and counties shall be consigned for export with the foreign trade guidance organ of the province (or municipality directly under the central authority).

#### Article 49 (Encouraging introduction of various modes)

The institutions, enterprises and organizations concerned shall encourage transit trade, processing trade and the operation of bonded warehouses and other modes of trade transactions. They shall also encourage credit loans for foreign trade, introduction of the system of customs duties refund and the authentication system of quality and environmental protection.

#### Article 50 (Supervision and control)

Foreign trade shall be supervised and controlled by the central foreign trade guidance organ and the relevant supervisory and control organ.

The central foreign trade guidance organ and the relevant supervisory and control organ shall regularly supervise and control trade transactions, production of export goods and export cooperative goods, supply of imported goods and cargo shipment for foreign trade.

### Chapter 5 Sanction, Settlement of Disputes

#### Article 51 (Suspension of export and import activities, revocation of business license)

Where controlled goods are imported or exported without approval or contrabands are exported or imported, the trade transaction concerned shall be suspended or the business license revoked.

#### Article 52 (Administrative or penal liability)

Officials of institutions, enterprises, organizations and trading companies and citizens who are responsible for the grave consequences caused through their violation of this Law shall, depending on the gravity of the offence, be liable to administrative or penal liability.

#### Article 53 (Settlement of disputes)

Disputes concerning trade business shall be settled through consultation.

In case of failure in consultation the disputes shall be referred to an arbitration organ or a court for settlement.