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

Adopted by Decision No.18 of the Standing Committee of the Supreme People's Assembly on October 5, 1992, amended by Decree No.484 of the Presidium of the Supreme People's Assembly on February 26, 1999, amended by Decree No.780 of the Presidium of the Supreme People's Assembly on November 30, 2004, amended by Decree No.1774 of the Presidium of the Supreme People's Assembly on May 23, 2006, amended by Decree No.2367 of the Presidium of the Supreme People's Assembly on September 26, 2007, amended by Decree No.2688 of the Presidium of the Supreme People's Assembly on April 29, 2008, amended by Decree No.2842 of the Presidium of the Supreme People's Assembly on August 19, 2008 and amended by Decree No.1992 of the Presidium of the Supreme People's Assembly on November 29, 2011

Article 1 (Objective)

This Law is enacted for the purpose of promoting and expanding economic and technical cooperation and exchange with foreign countries through contractual joint venture.

Article 2 (Parties to investment)

Institutions, enterprises and organizations may establish contractual joint ventures with foreign corporate bodies or individuals subject to the approval of the investment management organ. Contractual joint ventures shall be set up mainly in the production sector.

Article 3 (Priority sectors)

The State encourages contractual joint ventures in the projects that introduce high technology or modern equipment, and in the sectors that manufacture internationally competitive goods.

Article 4 (Prohibition, restriction)

Contractual joint ventures shall be prohibited or restricted in the projects that violate environmental protection criteria, export natural resources, and the projects that are economically and technically outdated or of low economic efficiency.

Article 5 (Preferential treatment)

The State shall grant preferential treatment such as reduction or exemption of tax, favourable conditions of land use and preferential bank loans to the contractual joint-venture enterprises in priority projects or those to which overseas Koreans are parties.

Article 6 (Application, approval)

An investor that wishes to set up a contractual joint venture shall, after concluding a joint-venture contract, submit to the investment management organ an application to that effect, accompanied by a copy of the contract, the articles of association and a feasibility study report.

The investment management organ shall examine the application within 30 days of receipt thereof, and either issue a license or send a notice of rejection with the reasons thereof stated.

Article 7 (Registration)

The investor shall, within 30 days of obtaining the approval, be registered with the people's committee of the province (or municipality directly under the central authority) where the enterprise is to be located or the management organ of the special economic zone.

Registration for tax purposes and customs shall be made within 20 days of registration with the people's committee of the province (or municipality directly under the central authority) or the management organ of the special economic zone.

Article 8 (Business license, inaugural date)

A contractual joint-venture enterprise shall obtain a business license not later than scheduled inaugural date.

The date of receipt of a business license issued by the investment management organ shall be the inaugural date of the business concerned.

Article 9 (Business category)

A contractual joint venture enterprise shall carry on business within the limit of approved business category.

Where the business category is to be changed or extended, approval thereof shall be obtained from the investment management organ.

Article 10 (Transfer of share of contribution)

A joint-venture partner may transfer his share of contribution to a third party. In this case consent of the other partner and approval of the investment management organ shall be secured.

Article 11 (Employment)

A contractual joint-venture enterprise shall employ the labour of the DPRK.

Technicians and skilled workers for special jobs may be employed from foreign countries, with notification thereof made to the investment management organ.

Article 12 (Customs duties)

Where a contractual joint-venture enterprise imports materials for its production and business operation or exports the goods it has produced, customs duties shall not be imposed. Customs duties shall, however, be payable in case the goods for which customs duties were exempted are sold in the DPRK territory.

Article 13 (Insurance)

A contractual joint venture enterprise shall, if it so wishes, take out the insurance policy of an insurance company in the DPRK.

Compulsory insurance shall be taken with the company designated by the central insurance guidance organ.

Article 14 (Redemption of investment, profit distribution)

The redemption of investment to the foreign investor shall be made mainly in terms of the goods produced by the joint-venture enterprise.

Profit shall be distributed in a manner agreed upon by the partners in the contract.

Article 15 (Preferential use of enterprise income)

Goods produced and revenues earned by the joint-venture enterprise may be used primarily for the repayment of the invested capital or distribution of profit according to the terms of the contract.

Article 16 (Remittance of profits and other income)

The foreign partner of a contractual joint-venture enterprise may remit abroad without any restrictions the profits earned from business and other income, as well as money received after the liquidation of business.

Article 17 (Joint consultative board)

The partners to a joint venture may organize a joint consultative board, which shall be non-standing.

The board shall discuss such important matters as introduction of new technology, improvement of product quality, reinvestment and others concerning business operation of the enterprise.

Article 18 (Settlement of accounts)

A joint-venture enterprise shall settle the accounts at a fixed period.

The documents of account settlement shall be submitted to the financial institution concerned within the prescribed time limit.

Article 19 (Tax payment)

A contractual joint-venture enterprise shall pay tax according to the prescribed rates.

A contractual joint-venture enterprise in the priority sector may benefit from reduction or exemption of enterprise income tax for a certain period of time.

Article 20 (Dissolution)

Partners to a contractual joint venture may dissolve the enterprise by mutual agreement and subject to the approval of the investment management organ upon expiry of the term of operation, default of contractual obligation, continued operational loss or natural disasters.

Liability for any damage incurred from the dissolution of the enterprise shall be borne by the party responsible.

Article 21 (Formation of liquidation committee)

In the event of dissolution, partners to a contractual joint venture shall form a liquidation committee.

The liquidation committee shall cancel the registration of the enterprise within 10 days of winding up the transactions of the enterprise and completion of liquidation.

Where it is deemed in the process of liquidation that the enterprise deserves bankruptcy, application thereof shall be made to the court of law.

Article 22 (Extension of term of operation)

A contractual joint venture may extend the term of operation. In this case approval thereof shall be obtained from the investment management organ 6 months prior to the expiry of the original term.

The term of operation shall run from the date of obtaining the license of the enterprise concerned.

Article 23 (Settlement of disputes)

Any dispute concerning the contractual joint venture shall be settled through consultation.

In case of failure in consultation, the dispute shall be settled by mediation, arbitration or legal procedures.