
PART 1

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

Adopted by Decision No. 17 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. 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. 1991 of the Presidium of the Supreme People's Assembly on November 29, 2011

Article 1 (Objective and status of this Law)

This Law is enacted for the purpose of encouraging foreign investment in the DPRK and protecting the legitimate rights and interests of the investors.

This Law is the basic law on foreign investment.

Article 2 (Definitions)

1. *Foreign investment* means an investment in the DPRK by a foreign investor of property, property rights or know-how for the purpose of carrying out economic activities;

2. *Foreign investor* means a corporate body or an individual of a foreign country that makes an investment in the territory of the DPRK;

3. *Foreign-invested businesses* mean foreign-invested enterprises and foreign enterprises;

4. *Foreign-invested enterprises* mean equity joint venture enterprises, contractual joint venture enterprises and wholly foreign-owned enterprises that are set up in the territory of the DPRK;

5. *A contractual joint venture* is an enterprise in which investors from the DPRK and a foreign country jointly invest, the management is undertaken 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;

6. *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;

7. *A wholly foreign-owned enterprise* is an enterprise in which a foreign investor makes an investment and undertakes management on his own account;

8. *A foreign enterprise* is an enterprise of a foreign country that is registered with the investment management organ for conducting business activities;

9. *A foreign-invested bank* is a joint venture bank, wholly foreign-owned bank and branch of a foreign bank that are set up in the territory of the DPRK; and

10. *Special economic zone* means an area where preferential treatment is accorded to business activities such as investment, production, trade and service pursuant to the laws and regulations enacted by the State for those purposes;

Article 3 (Establishment of foreign-invested enterprises and banks)

A foreign investor may establish and operate an enterprise or a bank in the territory of the DPRK. In this case approval thereof shall be obtained from the investment management organ.

The investment management organ shall include the competent central organ and the management organ of the special economic zones.

Article 4 (Protection of rights and interests of investors, provision of conditions)

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.

Article 5 (Investors)

Foreign corporate bodies and individuals are free to make investment in the DPRK.

Overseas Koreans may also make an investment in accordance with this Law.

Article 6 (Sectors and modes of investment)

Foreign investors may make investments of various modes in such sectors as industry, agriculture, construction, transportation, communications, science and technology, tourism, circulation and finance.

Article 7 (Priority sectors)

The State particularly encourages investments that are conducive to the introduction of high technologies and other state-of-the-art technology, manufacturing of internationally competitive goods, construction of infrastructure facilities, scientific research and development of technology.

Article 8 (Preferential treatment for priority sectors)

A foreign-invested enterprise that invests in the priority sector shall enjoy such benefits as reduction and exemption of income tax and other taxes, favourable conditions of land use and preferential bank loans.

Article 9 (Provision of preferential conditions for business in special economic zones)

The State shall ensure 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.

Article 10 (Provision of conditions for immigration of foreign investors)

The State shall ensure that formalities for entry and departure of foreigners making an investment in the DPRK are set in such a way as to suite their convenience.

Article 11 (Prohibition and restriction of investment)

Investment shall be prohibited or restricted in the following cases:

1. Projects that are detrimental to national security, public health and healthy social and moral life;
2. Projects for the purpose of exporting natural resources;
3. Projects that violate the environmental protection criteria;
4. Projects that are technically outdated; and
5. Projects with low economic efficiency

Article 12 (Investment property, property rights)

A foreign investor may invest in the form of currency, property in kind, industrial property right and property right. In this case the value of the assets and property rights invested shall be determined by agreement between the partners by reference to the prevailing world market price.

Article 13 (Establishment of branch, representative office or agency)

Foreign-invested enterprises, foreign-invested banks and wholly foreign-owned banks may open branches, representative offices, agencies or subsidiaries in the DPRK or other countries. They may conduct joint operations with foreign companies

Article 14 (Legal capacity)

Foreign-invested enterprises, foreign-invested banks and wholly foreign-owned banks shall be corporate bodies of the DPRK.

Branches, representative offices and agencies of foreign enterprises, and branches of foreign banks established in the DPRK shall not be corporate bodies of the DPRK.

Article 15 (Term of land lease)

The State shall lease land to foreign investors, foreign-invested enterprises and foreign-invested banks for their establishment.

The term of lease shall be 50 years at maximum.

Land so leased may be assigned or mortgaged during the term of lease subject to the approval of the land leasing institution.

Article 16 (Employment)

A foreign-invested enterprise and a foreign-invested bank shall employ the labour of the DPRK.

Some of the managerial personnel, and technicians and skilled workers for special jobs may be employed from abroad subject to the agreement of the investment management organ.

Article 17 (Taxation)

Foreign investors, foreign-invested enterprises, foreign enterprises and foreign-invested banks shall pay income tax, turnover tax and property tax according to the prescribed rates.

Article 18 (Reinvestment)

Foreign investors may reinvest the whole or part of their profits in the DPRK. In this case the whole or part of the income tax already paid on the reinvested amount shall be refunded.

Article 19 (Protection of investment property)

The State shall not nationalize or expropriate the properties of foreign-investors, foreign-invested enterprises and banks.

Should expropriation is required for public interests, notification thereof shall be made in advance and sufficient compensation for its value shall be made through legal procedures.

Article 20 (Remittance)

Legitimate profits and other income earned by a foreign investor from business or banking operations, and any money that remains after the liquidation of a business or bank may be remitted out of the territory of the DPRK without any restrictions.

Article 21 (Confidentiality)

The State shall protect by law the business secrets of foreign-invested enterprises and banks, and shall not disclose them without the consent of the foreign investor concerned.

Article 22 (Settlement of disputes)

Any disagreement concerning foreign investment shall be settled through consultation.

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