
LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON WHOLLY FOREIGN-OWNED ENTERPRISES

Adopted by Decision No. 19 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. 1131 of the Presidium of the Supreme People's Assembly on May 17, 2005, 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 and amended by Decree No. 1994 of the Presidium of the Supreme People's Assembly on November 29, 2011

Chapter 1 Fundamentals

Article 1 (Objective)

This Law is enacted for the purpose of expanding and promoting economic cooperation and exchange with foreign countries through the establishment and operation of wholly foreign-owned enterprises.

Article 2 (Definition)

A wholly foreign-owned enterprise is a form of business whereby a foreigner invests the whole amount of capital required for the establishment and operation thereof and operates it independently.

Article 3 (Permitted sectors, prohibited projects)

Foreign investors may establish and operate enterprises in the fields of electronics, automation, machine-building, food-processing, garment-processing, daily-necessities, transport, service and others.

Enterprises that are detrimental to national security or outdated from technical point of view shall not be established.

Article 4 (Protection of investment)

The State shall protect by law the capital invested by foreign investors and the income from their business activities.

Article 5 (Observance by investors of law and regulations)

Foreign investors shall respect and strictly observe the laws and regulations of the DPRK and shall not commit any acts that may cause hindrance to the development of the national economy of the DPRK.

Article 6 (Applicability)

This Law shall be applicable to the wholly foreign-owned enterprises that are set up and operated in the designated areas.

Chapter 2 Establishment of Wholly Foreign-Owned Enterprises

Article 7 (Application)

A foreign investor who wishes to establish an enterprise shall submit to the investment management organ the documents of application to that effect.

The documents of application shall include an application stating the name, address, total amount of investment, registered capital, business category, number of employees and term of operation, a copy of the articles of association, a feasibility study report and the credit references of the investor.

Article 8 (Examination of application, date of establishment)

The investment management organ shall examine the application for the establishment of an enterprise within 30 days of receipt thereof and either approve or reject it.

A document of approval shall be issued in case of approval, or in case of rejection, a notice of rejection sent with the reason thereof stated.

Article 9 (Registration)

A foreign-investor shall, within 30 days of obtaining the approval, register the enterprise with the people's committee of the province (or municipality directly under the central authority) or the management organ of the special economic zone.

Tax and customs registration 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 10 (Establishment of branches, representative offices and agencies)

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

Article 11 (Consignment)

A foreign investor may consign the construction work required for the establishment of the enterprise with a construction enterprise of the DPRK.

Article 12 (Term of investment)

A foreign investor shall make investment within the term prescribed in the document of approval of establishment of the enterprise.

Where it is impossible to make investment within the prescribed period due to unavoidable reasons, the term may be extended subject to the approval of the investment management organ.

Article 13 (Cancellation of approval)

Where a foreign investor fails to make investment within the prescribed term without any justifiable reasons, the investment management organ may cancel the approval for the establishment.

Chapter 3 Business Activities of Wholly Foreign-owned Enterprises

Article 14 (Alteration of business category)

A wholly foreign-owned enterprise shall carry on business within the approved limit of business category.

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

Article 15 (Submission of plan for production, export and import)

A wholly foreign-owned enterprise shall submit to the investment management organ its yearly and quarterly plans for production, import and export.

Article 16 (Import of materials for operation, marketing of products)

A wholly foreign-owned enterprise may, according to the prescribed procedures, purchase in the DPRK raw and other materials and equipment, or sell its products in the DPRK, which shall be conducted via the investment management organ.

Article 17 (Bank accounts)

A wholly foreign-owned enterprise shall open an account with a DPRK bank or a foreign-invested bank in the DPRK.

Account may opened with a bank in a foreign country subject to the approval of the foreign exchange control organ.

Article 18 (Accounting)

A wholly foreign-owned enterprise shall keep its financial statements in the area that it is located.

Financial management and accounting shall be conducted in accordance with the law and regulations on financial accounting of foreign-invested enterprises.

Article 19 (Employment)

A wholly foreign-owned enterprise shall employ the labour of the DPRK.

Some managerial personnel and technicians and skilled workers for special jobs may be employed from abroad, with the notification thereof made to the investment management organ.

Article 20 (Trade union)

Employees of a wholly foreign-owned enterprise may form a trade union.

The trade union shall protect the rights and interests of the employees, conclude a contract for the provision of working conditions with the wholly foreign-owned enterprise and supervise its implementation.

A wholly foreign-owned enterprise shall provide conditions for the activities of the trade union.

Article 21 (Reinvestment, remittance)

A wholly foreign-owned enterprise may reinvest legitimate profits made from its business activities or remit them abroad, in accordance the law and regulations on foreign exchange control.

Article 22 (Insurance)

Where a wholly foreign-owned enterprise wishes to be insured, it shall take out the insurance policy of the DPRK.

Article 23 (Payment of tax)

A wholly foreign-owned enterprise shall pay prescribed tax.

A wholly foreign-owned enterprise in the priority sector shall benefit from reduction or exemption of income tax for a certain period of time.

Article 24 (Exemption from customs duties)

Where a wholly foreign-owned enterprise brings in materials for its production and management or exports its products, customs duties shall not be imposed thereon.

Article 25 (Registered capital)

A wholly foreign-owned enterprise may increase the registered capital.

Registered capital shall not be reduced during its term of operation.

Article 26 (Inspection of investment and tax payment)

The investment management organ and the financial institution concerned shall be empowered to examine the records of investment and tax payment of a wholly foreign-owned enterprise.

Chapter 4 Dissolution, Settlement of Disputes

Article 27 (Dissolution, extension of term of operation)

A wholly foreign-owned enterprise shall be dissolved upon expiry of its term of operation.

Where the enterprise is to be dissolved before the expiration of the term of operation or its term of operation extended, approval thereof shall be obtained from the investment management organ.

Article 28 (Sanction)

Any violation of this Law shall, depending on the seriousness of the offence, lead to such sanctions as fines, suspension of business operation or dissolution of business.

Article 29 (Registration of dissolution and bankruptcy, disposal of assets)

Should a wholly foreign-owned enterprise be dissolved or go bankrupt, application to that effect shall be filed with the investment management organ.

The assets of a wholly foreign-owned enterprise shall not be arbitrarily disposed of before the liquidation is completed.

Article 30 (Settlement of disputes)

Any dispute relating to a wholly foreign-owned enterprise shall be settled through consultation.

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