
LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON THE HWANGGUMPHYONG AND WIHWADO ECONOMIC ZONE

Adopted by Decree No. 2006 of the Presidium of the Supreme People's Assembly on December 3, 2011

Chapter 1 Fundamentals

Article 1 (Objective)

This Law is enacted for the purpose of providing strict guidelines for the development and management of the Hwanggumphyong and Wihwado Economic Zone, thereby contributing to expanding and promoting external economic cooperation and exchange.

Article 2 (Status, location)

The Hwanggumphyong and Wihwado Economic Zone (the Zone) is a special economic zone of the Democratic People's Republic of Korea (the DPRK), where preferential policy is pursued in the economic sector.

The Zone shall include the Hwanggumphyong area and Wihwado area of the north Phyongan Province.

Article 3 (Development of the Zone, industries)

The Zone shall be developed by areas and stages.

The Hwanggumphyong area shall be developed with priority given to information technology, light industry, agriculture, commerce and tourism, while the Wihwado area according to the Wihwado development plan.

Article 4 (Investors)

The Zone is open for investment by corporate bodies, individual persons and economic organizations of foreign countries.

Koreans residing outside the territory of the DPRK may also invest in the Zone in accordance with this Law.

Article 5 (Provision of conditions for economic activities)

Investors may freely conduct economic activities in the Zone through the establishment of companies, branches, representative offices and the like.

The State shall ensure that investors are preferentially provided with conditions for their economic activities in such areas as land use, labour employment, payment of tax and access to markets.

Article 6 (Sectors of priority, prohibition and limitation)

The State particularly encourages investment in the Zone for the construction of infrastructure facilities, state-of-the-art science and technology and production of internationally competitive goods.

Investments and business operation shall be prohibited or restricted in those projects that are detrimental to national security, public health, healthy social and moral life, protection of environment, and projects that are economically and technically outdated.

Article 7 (Manager and operator of the Zone, principle of non-involvement in work of management committee)

Management and operation of the Zone shall be undertaken by the management committee under the guidance and assistance of the central guidance organ of the special economic zones and the north Phyongan provincial people's committee.

Other institutions shall not get involved in the work of the management committee except in such cases as are prescribed by this Law.

Article 8 (Protection of investors' rights and interests)

The property, legitimate income and invested rights of investors in the Zone shall be protected by law.

The State shall not nationalize or expropriate the property of the investors.

Where an investor's property is, for unavoidable reasons, to be expropriated or used temporarily for public interests, notification thereof shall be made to him or her before going through the prescribed legal procedures, and sufficient and effective compensation for its value shall be made without any discrimination.

Article 9 (Protection of personal safety and human rights, prohibition of illegal detention and arrest)

Personal safety and human rights of the citizens in the Zone shall be protected by law.

No one shall be detained or arrested nor his place of residence be searched without a legal warrant.

Any treaty concluded between the DPRK and a foreign country in respect of personal safety and criminal matters shall take precedence.

Article 10 (Applicable laws and regulations)

The development and management of the Zone, business operation and other economic activities therein shall be governed by this Law and its implementing regulations, rules and general standards.

Where the laws and regulations governing the Zone provide otherwise than the treaties like conventions, memoranda of understanding or agreements concluded between the DPRK and a foreign country, the latter shall take precedence. Where the laws and regulations for the Zone differ from those in effect outside the Zone, the former shall prevail.

Chapter 2 Development of the Zone

Article 11 (Principle of development)

The Zone shall be developed on the principle of:

1. Ensuring the comparative advantage of the Zone over the surrounding areas in natural and geographical conditions, natural resources and requisites for production;
2. Making economic and rational use of land and resources;
3. Protecting the ecological environment of the Zone and the surrounding areas;
4. Raising international competitiveness of the production and service;
5. Providing facilities for economic activities like trade and investment;
6. Guaranteeing public interests; and
7. Ensuring sustained and balanced economic development.

Article 12 (Development plan, modification)

The Zone shall be developed in accordance with the approved development plan.

Approval for modification of the development plan shall be granted by the organ that approved the plan concerned.

Article 13 (Mode of development of the Zone)

The Hwanggumphyong area of the Zone shall be developed by the developer enterprise, which shall lease the whole area of the land for comprehensive management and development.

The Wihwado area shall be developed in a mode agreed upon by the parties to the development.

Article 14 (Approval for developer enterprise)

Approval for the developer enterprise of the Zone shall be granted by the central guidance organ of the special economic zones by issuing to it a development license via the management committee.

Authorization of the developer enterprise and application for development license shall be the undertaken by the management committee.

Article 15 (Land lease contract)

The developer enterprise shall, upon obtaining the development license, enter into a land lease contract with the land management institution.

The land lease contract shall specify the term of lease, area, compartment, purpose of use, term and method of payment of land rent and other necessary particulars.

The land management institution shall issue a land use certificate to the developer upon receipt of the land rent.

Article 16 (Term of land lease)

The term of land lease in the Zone shall be 50 years from the date of issuance of a land use certificate to the enterprise concerned.

Upon the expiry of the term of lease, the enterprise in the Zone may re-enter into a contract for the continued use of the leased land.

Article 17 (Removal and relocation of buildings and attachments)

An institution or enterprise that is in charge of removal or relocation of public buildings, dwelling houses and attachments shall remove or relocate them and have the inhabitants moved to a different location so that the development process may not be interrupted.

Article 18 (Time for commencement of development process)

The developer enterprise shall commence development upon completion of removal and relocation of buildings and attachments within the development area.

Article 19 (Construction of infrastructure and public facilities)

Construction of infrastructure and public facilities in the Zone shall be undertaken by the developer enterprise, which shall be given a special license to operate them.

The developer enterprise may invite other enterprise(s) to construct the infrastructure and public facilities.

Article 20 (Transfer of rights to use land and building, rental value)

The developer enterprise shall have the rights to transfer or lease the developed land and buildings as the construction of infrastructure facilities progresses in accordance with the development plan. In this case the value of transfer and lease shall be determined by the developer enterprise.

Article 21 (Modification of rights to use land and building ownership, registration thereof)

Enterprises in the Zone may, within the term of validity, transfer, lease or mortgage the rights to use land and building ownership through sale, exchange, donation or succession. In this case particulars of modification of the rights to use land and building ownership shall be registered, and the certificate of land use and registration certificate of building ownership shall be re-issued.

Chapter 3 Management of the Zone

Article 22 (Principle of management)

The Zone shall be managed on the principle of :

1. Strictly observing and enforcing laws and regulations;
2. Ensuring autonomy of the management committee and the enterprises;
3. Offering preferential treatment to trade and investment activities;
4. Complying with objective laws of the economy and principles of market; and
5. Referring to international practices.

Article 23 (Establishment of management committee, status thereof)

A management committee shall be set up in the Zone for its management and operation.

The committee is a local management body that is in charge of the development, management and operation of the Zone.

Article 24 (Composition of management committee)

The management committee shall be composed of the chairperson, vice-chairperson, secretary and other members as may be required.

The management committee shall have such departments as are necessary for the development and management of the Zone.

Article 25 (Chief of management committee)

The chief of the management committee shall be its chairperson.

The chairperson shall represent the management committee and be in charge of its work.

Article 26 (Functions of management committee)

The management committee shall perform the following functions:

1. Preparing regulations required for the development and management of the Zone;
2. Fostering investment climate and attracting investment;
3. Approving establishment of enterprises, registering and licensing;
4. Making a list of sectors of priority, restriction and prohibition and announcing it;
5. Granting permission of specially-ordered construction projects and conducting inspection of completion of construction;
6. Taking custody of designs for ordered equipments;
7. Establishing independent financial management system;
8. Registering rights to use land and building ownership;
9. Managing property under its custody;
10. Rendering cooperation in the management of enterprises;
11. Undertaking supervision and cooperation with construction and management of infrastructure and public facilities;
12. Taking measures for environmental protection and fire-fighting in the area under control;
13. Rendering cooperation in the work concerning entry and exit of personnel, vehicles and goods;
14. Preparing articles of association of the management committee; and
15. Carrying out other work assigned by the central guidance organ of the special economic zones and the north Phyongan provincial people's committee with regard to the development and management of the Zone.

Article 27 (Convening of meetings of chiefs of enterprises)

The management committee may convene a meeting of the representatives of the enterprises.

The meeting of the representatives of the enterprises shall discuss important matters concerning the development and management of the Zone and business operation.

Article 28 (Compilation and execution of budget)

The management committee shall compile and execute a budget. Documents concerning the compilation and execution of budget shall be submitted to the central guidance organ of the special economic zones and the north Phyongan provincial people's committee.

Article 29 (Functions of north Phyongan provincial people's committee)

The north Phyongan provincial people's committee shall perform the following functions for the development and management of the Zone:

1. Preparing implementing rules of the law and regulations of the Zone;
2. Providing workforce required for the development and management of the Zone and business operation; and
3. Carrying out other assignments of the central guidance organ of the special economic zones with regard to the development and management of the Zone

Article 30 (Functions of the central guidance organ of the special economic zones)

The central guidance organ of the special economic zones shall:

1. Prepare development strategy for the Zone;
2. Contact local institutions for the development and construction of the Zone;
3. Cooperate and contact with the governments of foreign countries;
4. Approve screening criteria for establishment of enterprises;
5. Select local enterprises to make investment in the Zone; and
6. Render cooperation in the sale of the products of the Zone in local areas outside it.

Article 31 (Submission of work program and statistics)

The management committee shall annually submit its work program and the statistics of the Zone to the central guidance organ of the special economic zones and the north Phyongan provincial people's committee.

Chapter 4 Establishment, Registration and Operation of Enterprises

Article 32 (Application for establishment)

An investor who wishes to establish an enterprise in the Zone shall submit an application to the management committee.

The management committee shall either approve or reject the application within 10 days of the receipt thereof, and notify the applicant of the result.

Article 33 (Registration of enterprise, incorporation)

An enterprise shall, upon obtaining approval for its establishment, register its establishment, make customs and tax registration within the prescribed period of time.

The enterprise registered with the management committee shall be a corporate body of the DPRK.

Article 34 (Rights of enterprises)

Enterprises in the Zone shall, at their discretion and in accordance with their articles of association, have the rights to lay down rules for operation and management, to work out plans for production, marketing and financial management and to determine the forms of employment, wage standard and form of its payment, price of products and plan for profit distribution.

Illegal interference in the operation of business shall be prohibited and expenses and obligations that are not prescribed in the laws and regulation shall not be imposed.

Article 35 (Business category, approval of modification)

An enterprise shall conduct its operational activities within the range of approved business category.

Where the business category is to be extended or modified, approval thereof shall be obtained.

Article 36 (Employment of labour)

Enterprises in the Zone shall primarily employ the labour of the DPRK.

Where foreign labour is to be employed as circumstances so require, notification thereof shall be made to the management committee.

Article 37 (Minimum monthly wage)

Minimum monthly wages of employees of the enterprises in the Zone shall be determined by the north Phyongan provincial people's committee through consultation with the management committee.

Article 38 (Economic transactions with DPRK enterprises outside Zone)

Enterprises may, under contract, purchase in the DPRK territory outside the Zone raw and other materials and supplies required for their business operation or sell their products therein.

Processing of raw and other materials and components may be consigned to the institutions, enterprises and organizations of the DPRK.

Article 39 (Prices of commodities and services)

Prices of commodities and services sold and bought between the enterprises in the Zone, and the prices of the goods between enterprises in the Zone and the DPRK institutions, enterprises and organizations outside it shall be determined by the parties concerned by reference to the prevailing world market price.

Prices of basic consumer goods such as food and essential foodstuff and charges for public services shall be determined by the north Phyongan provincial people's committee. In this case monetary compensation shall be made for the losses caused to the enterprise concerned.

Article 40 (Accounts of enterprises)

Enterprises shall open accounts with the DPRK banks or foreign-invested banks set up in the Zone.

Where accounts are to be opened with foreign banks outside the territory of the DPRK, approval thereof shall be obtained from the management committee.

Procedures for setting up banks or branches in the Zone shall be provided by regulations.

Article 41 (Insurance, establishment of insurance institution)

Enterprises and individuals in the Zone shall take out the policy of the insurance companies in the territory of the DPRK and compulsory insurance shall be taken with the designated insurance company.

Investors may set up insurance companies, and foreign insurance companies may set up and operate branches and offices in the Zone.

Article 42 (Accounting of enterprises)

Enterprises in the Zone may apply internationally accepted accounting standards to their accounting and settlement of accounts.

Article 43 (Obligation to payment of taxes, rate of enterprise income tax)

Enterprises in the Zone shall pay taxes according to the prescribed rates

The rate of enterprise income tax shall be 14% of the net profit and the rate for enterprises in priority sectors shall be 10% of the net profit.

Article 44 (Establishment and registration of branches and representative offices)

Where a branch or a representative office is to be set up in the Zone, approval thereof shall be obtained from the management committee and registration thereof shall be made as required.

The branches and representative offices shall be registered with the customs and tax offices within the prescribed time limit from the date of registration with the management committee.

Chapter 5 Provision of Conditions for Economic Activities

Article 45 (Streamlining of screening and approval procedures)

All forms of screening and approval procedures in respect of the economic activities in the Zone shall be streamlined through the unified and concentrated method of handling.

Article 46 (Circulating money, settlement currency)

Designated currency shall be circulated in the Zone.

Circulating money and settlement currency in the Zone shall be Korean Won or other designated currency.

Procedures for foreign exchange and the rate of exchange shall be provided by regulations.

Article 47 (Inward and outward movement of foreign currency, profits and property)

Foreign currency shall be freely brought into or taken out of the Zone, and legitimate profits and other income may be remitted out of the Zone without any restrictions.

Investors may take out of the Zone without any restrictions the property that had been brought therein or legitimately acquired therein.

Article 48 (Protection of intellectual property rights)

Intellectual property rights of the enterprises and individuals in the Zone shall be protected by law.

The management committee shall establish a system for the administration of the registration, use and protection of intellectual property rights in the Zone.

Article 49 (Control of work concerning place of origin)

Work concerning the place of origin in the Zone shall be undertaken by the institution in charge of the control thereof.

The institution in charge of the work concerning the place of origin shall conduct its work in compliance with the laws and regulations of the Zone and the international practice.

Article 50 (Special license for operation)

Special license may be granted for the operation of the infrastructure facilities and public establishments in the Zone.

Where an enterprise that has a special operation license wishes to transfer or distribute it to other enterprises, a contract shall be concluded and approval thereof shall be obtained from the management committee.

Article 51 (Purchase of products of Zone)

The DPRK institutions, enterprises and organizations outside the Zone may, under contract, purchase the goods produced or sold by the enterprises in the Zone.

Article 52 (Implementation in good faith of contracts)

Enterprises shall give priority to performing the contracts, abide by the terms of credit and fulfill the contracts in good faith.

Parties to the contracts shall adhere to the principle of equality and mutual benefit in concluding and carrying out contracts.

Article 53 (Services for managerial work)

Services for managerial work such as banking, insurance, accounting, legal work and measuring may be provided in the Zone in accordance with the regulations.

Article 54 (Advertising, approval for installation of outdoor advertisements)

Advertising business may be conducted and advertisements may be put in the Zone in accordance with the regulations.

Where advertisements are to be put outdoors, approval thereof shall be obtained from the management committee.

Article 55 (Construction standards, technical norms)

Advanced standards of design and building technique, and technical norms of foreign countries may be introduced to the construction design and building work in the Zone.

Article 56 (Tourist business)

International tourism shall be promoted in the Zone by developing tourism resources such as scenic beauty and folk culture.

Investors may conduct tourist business in the Zone in accordance with the regulations.

Article 57 (Use of communications devices)

Mail, telephone, fax and other communications devices may be freely used in the Zone.

Article 58 (Provision of conditions for entry/exit of persons, vehicles and goods)

Institutions of immigration control, customs, quarantine and others concerned shall streamline the procedures for the entry and exit of persons, vehicles and goods in order that development of the Zone and business activities may progress without hindrance.

Article 59 (Transaction of securities)

Foreign-invested enterprises and foreigners may transact securities in the Zone in accordance with the regulations.

Chapter 6 Incentives and Preferential Treatment

Article 60 (Mode of investment)

Investors may invest in the Zone in such forms as direct investment, indirect investment and the like.

Article 61 (Encouragement of export and import)

Enterprises may, under contracts with the enterprises in or outside the Zone, conduct transactions of goods, technology and services, and conduct agent's business for export and import.

Article 62 (Exemption or reduction of enterprise income tax)

Designated enterprises operating in the Zone for more than 10 years shall be entitled to exemption or reduction of enterprise income tax.

The period and rate of exemption or reduction of enterprise income tax and the starting point of calculation shall be provided by the relevant regulations.

Article 63 (Preferential treatment concerning use of land)

Land for the use of enterprises in the Zone shall be provided in the order of the actual demand presented, and depending on the sector and the purpose of land use, different preferential treatment shall be accorded in respect of term of lease, rentals and method of payment.

Enterprises investing in infrastructure, public establishments and top priority sectors shall be given a priority in selecting the location of land, with the land use rent exempted for a designated period of time.

Article 64 (Refund of income tax on reinvested amount)

Where dividends are reinvested in the Zone to increase the registered capital or to set up a new business for more than 5 years' operation, 50% of the enterprise income tax paid on the reinvested amount shall be refunded.

Where reinvestment is made in the construction of infrastructure facilities, the whole of the enterprise income tax that had been paid on the reinvested amount shall be refunded.

Article 65 (Preferential treatment for developer enterprise)

The developer enterprise shall have a preferential right in obtaining the right of operation of tourist business, hotel business and the like.

Tax shall not be levied on the property of the developer enterprise and the infrastructure facilities and public establishments that it operates.

Article 66 (Preferential treatment for operators of specially licensed objects)

The management committee shall provide preferential treatment to operators of specially licensed objects so that he may make profits to his satisfaction.

Article 67 (Entry or exit from Zone)

Foreigners and vehicles may enter or leave the Zone through the designated route without visa upon presentation of passports or other equivalent pass.

Procedures for entering or leaving the Zone from other areas of the DPRK and the procedures for entering or leaving other areas of the DPRK from the Zone shall be provided separately.

Article 68 (Special tariff system, exemption from customs duties)

Preferential tariff system shall be introduced in the Zone.

Customs duties shall not be levied on materials brought into the Zone for processing, transit trade and barter trade, imports needed for the production and operation of the enterprises and exports produced, office articles and daily necessities for the investors, materials needed for the construction of the Zone and other designated articles.

Article 69 (Declaration of inward or outward materials)

Materials shall be brought into or taken out of the Zone subject to declaration.

Where materials are to be brought in or taken out, enterprises or individuals concerned shall fill out the declaration form truthfully for submission to the customs concerned.

Article 70 (Provision of facilities for education, culture, medical care and physical culture)

Residents and visitors shall be provided with facilities in the area of education, culture, medical care and physical culture.

Chapter 7 Complaints, Settlement of Disputes

Article 71 (Complaints, settlement)

Enterprises and individuals may lodge complaints with the management committee, the north Phyongan provincial people's committee, central guidance organ of the special economic zones and other institutions concerned.

The institutions shall make inquiries and settle the complaints within 30 days of receipt thereof and notify the complainant of the result.

Article 72 (Settlement of disputes by mediation)

The management committee or the institution concerned may, upon request of the parties to a dispute, mediate the dispute. In this case mediation plan shall be worked out by reference to the opinions of the parties to the dispute.

The mediation plan shall take effect upon signature of the parties to the dispute.

Article 73 (Settlement of disputes by arbitration)

Parties to a dispute may, upon agreement, apply for arbitration to a DPRK or a foreign international arbitration institution established in the Zone.

Arbitration shall be conducted in accordance with the arbitration rules of the international arbitration committee concerned.

Article 74 (Settlement of disputes by court)

Parties to a dispute may bring an action to a competent court in the Zone.

Procedures for administrative action in the Zone shall be provided separately.

Appendix

Article 1 (Date of entry into force)

This Law shall enter into force as from the date of promulgation.

Article 2 (Right of interpretation)

Interpretation of this Law shall be provided by the Presidium of the Supreme People's Assembly.