

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

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Chapter 1. General Principles

Article 1. In order to expand and develop economic relations with other countries, the DPRK shall allow bodies corporate and individuals from foreign countries to establish and run enterprises within the Free Economic and Trade Zone.

Article 2. A foreign enterprise is an enterprise which a foreign investor establishes by investing full amount of capital required to found it and runs independently.

Article 3. Foreign investors may establish and run enterprises in the electronics industry, the automation industry, the machine-building industry, the food-processing industry, the clothing industry, the daily-necessities industry, transport, the service industry and other industries. No enterprise that might threaten the DPRK's national security or which is technically backward shall be established.

Article 4. The State shall protect by law the capital invested by foreign investors and their income from their business activities.

Article 5. Foreign investors shall respect and strictly observe the laws and regulations of the DPRK and shall not hinder the development of the national economy of the DPRK.

Article 6. Overseas Koreans are also allowed to establish and run enterprises independently within the Free Economic and Trade Zone, in accordance with this law.

Chapter 2. Establishment of Foreign Enterprises

Article 7. A foreign investor who wishes to establish an enterprise in the DPRK shall submit an application to the external economic organ of the Administration Council of the DPRK. The application should be all accompanied by all documents required for its examination and approval, including the charter and by-laws of the enterprise, a feasibility study report and a capital creditability document.

Article 8. The external economic organ of the Administration Council shall approve or reject the application through consultation with the relevant organs within 80 days from the day of its reception.

Article 9. If the application is approved, the foreign investor shall, within 30 days of the approval, register the enterprise at the administrative and economic committee of the province where the enterprise is to be established. The date of registration shall mark the date of the establishment of the enterprise. A foreign enterprise should, within 20 days of its registration, complete its tax registration at the financial organ in the area where the enterprise is based.

Article 10. With the approval of the external economic organ of the Administration Council, a foreign enterprise may establish branches, representative offices, agencies and subsidiaries in the DPRK or other countries and conduct joint operations with companies in the DPRK or other countries.

Article 11. A foreign investor may entrust any construction required to the establishment of the enterprise to a construction enterprise in the DPRK.

Article 12. A foreign investor shall make an investment within the period stated in the approved application for the establishment of his enterprise. If investment within the fixed period is impossible due to unavoidable circumstances, it may be postponed, with the approval of the organs concerned.

Article 13. In cases where a foreign investor fails to make an investment within the fixed period for no good reason, the external economic organ of the Administration Council may abrogate the approval of the application.

Chapter 3. Business Activities of Foreign Enterprises

Article 14. A foreign enterprise shall conduct business activities in accordance with the charter and by-laws of enterprise management endorsed by the external economic organ of the Administration Council.

Article 15. A foreign enterprise shall submit its production, and import and export plans to the provincial administrative and economic committee where it has been registered.

Article 16. A foreign enterprise may obtain the materials it needs in its business activities in the DPRK or from abroad and either export its products or sell them in the DPRK.

Article 17. A foreign enterprise shall purchase raw and other materials and equipment from the DPRK and sell its products to the DPRK mainly through the foreign trade agency of the DPRK.

Article 18. A foreign enterprise shall open an account at the Trade Bank of the DPRK. A foreign enterprise may, on agreement with the DPRK foreign exchange control organ, open an account at other banks in the DPRK or at banks abroad.

Article 19. A foreign enterprise shall maintain its financial and accounting records and do its managerial accounting according to the book-keeping regulations set by the DPRK for foreign enterprises.

Article 20. Foreign enterprise shall, in accordance with a contract of employment concluded with the labour service agency in the area of its operation, employ the local workers and it shall have the power to dismiss them. Should it wish to employ technicians and skilled workers from other countries, a foreign enterprise shall reach an agreement with the external economic organ of the Administration Council.

Article 21. Employees of a foreign enterprise shall be permitted to form a trade union. The trade union shall protect the rights and interests of the employees in accordance with the labour law and regulations of the DPRK, conclude a contract concerning working conditions with the foreign enterprise and supervise its implementation. A foreign enterprise shall provide the working conditions of trade union.

Article 22. A foreign enterprise may reinvest lawful profits from its business activities or remit them abroad, in accordance with the laws and regulations of the DPRK relating to foreign exchange control.

Article 23. Should a foreign enterprise require insurance, it shall be insured in the DPRK.

Article 24. A foreign enterprise shall pay tax as stipulated in the relevant laws.

Article 25. No customs duty shall be levied either on materials which a foreign enterprise brings in for its production and management activities or on products which it exports.

Article 26. A foreign enterprise may increase the amount of its registered capital. Should a foreign enterprise wish to transfer its registered capital to another enterprise it must obtain the approval of the external economic organ of the Administration Council. A foreign enterprise should not reduce the amount of its registered capital during its existence.

Article 27. The external economic organ and financial agency of the Administration Council shall have the power to inspect and supervise investment and tax payment by foreign enterprise.

Chapter 4. Dissolution of a Foreign Enterprise and Settlement of Disputes

Article 28. A foreign enterprise shall be dissolved when the approved period of its operation expires. Should a foreign investor wish to dissolve the enterprise before its expiry or should it want to extend the period the approval of the external economic organ of the Administration Council must be obtained.

Article 29. Should a foreign investor or a foreign enterprise violate this law, the external economic organ and other organs concerned of the Administration Council, in accordance with the extent of the violation, shall suspend its business or dissolve enterprise or impose a fine upon it.

Article 30. Should a foreign enterprise be dissolved or go bankrupt, the foreign investor shall file its dissolution or bankruptcy with the provincial administrative and economic committee at which the enterprise was registered. The assets of a foreign enterprise shall not be disposed of until the liquidation procedures have been completed.

Article 31. All disputes concerning a foreign enterprise shall be settled through consultation. Disputes shall be examined and settled by a court of law or an arbitration body of the DPRK in accordance with prescribed formalities.

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