



REGULATIONS ON FREE TRADE PORTS IN RANJIN AND
SONBONG FREE ECONOMIC TRADE ZONE

(Approved by the Decision of the Administration Council
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Chapter 1. General Provisions

Article 1. The present regulations are formulated to ensure proper economic and trade activities involving transport and storage of cargo and establish order in entering and leaving the free trade ports and in use of them by thoroughly carrying out the "Law of the D.P.R.K. on Free Economic and Trade Zone."

Article 2. The free trade ports shall include Rajin Port, Sonbong Port and Chongjin Port.

Each of the ports consists of the port premises and the water area. The former covers wharves, lighthouses, ship repair shops, open storage yards, warehouses, railways and roads, and the latter includes channels, anchorages and berths.

Article 3. Vessels, sailors, passengers and cargoes concerned with economic and trade activities and tourism are allowed to have free access to the free trade ports regardless of nationality, the place of departure and the place of origin.

Article 4. Vessels and cargoes entering or leaving the free trade ports (hereinafter referred to as the ports) shall be exempted from customs duties, tonnage dues and freight dues.

Article 5. The ports shall conduct such economic activities as the handling of vessels, the stevedoring and storing of cargoes and the repairing of vessels. Works and services related to pilotage, the loading, unloading, carrying, repacking, sorting and mixing of cargo, the repairing of vessels and equipment, the leasing of port facilities and installations, and the operation of warehouses shall be carried out by the port management authority (hereinafter referred to as the port authority).

Matters pertaining to the issuance of certificates for overland entrance and exit and permits for incoming and outgoing of vessels, the maintenance of order in the ports, and the disposal of sunken vessels or cargoes impeding the management and operation of the ports at the expense of the shipowner or shipper shall be treated by the port supervisory office.

Construction, expansion and improvement projects of the port facilities shall be undertaken by the port construction agency.

Article 6. In the ports foreign investors may set up foreign-invested business (a contractual joint venture, equity joint venture or wholly foreign-owned enterprise) to operate wharves, warehouses and ship repair shops. In this case, procedures for the establishment of enterprises should be undertaken according to the relevant laws and regulations after having the consent of the port authority.

Article 7. Vessels, crew members, passengers and cargoes that are entering or leaving the ports should be subjected to immigration control, customs inspection, and sanitary, veterinary and plant quarantine inspections. In case of transit cargo, such inspections shall be made only when the inspection office deems it necessary.

Article 8. Entry into and departure from the ports and the economic and trade activities inside the ports shall be conducted in accordance with the present regulations. Any other matter not covered in the present regulations shall be handled pursuant to the other relevant laws and regulations of the D.P.R.K..

Article 9. The present regulations shall apply to establishments, enterprises, organizations (hereinafter referred to as establishments and enterprises of the D.P.R.K.) and citizens of the D.P.R.K. and establishments, companies, enterprises and economic organizations (hereinafter referred to as establishments and enterprises of other countries) and individuals of other

countries as well as Korean compatriots residing outside the territory of the D.P.R.K. that are using or want to use the ports.

Chapter 2. Entrance into and Exit from the Ports

Article 10. Entering and leaving the ports shall be confined to the designated land and water passages. In case of access through the land passages, the pass issued by the port supervisory office should be required and in case of access through the water passages approval must be obtained from the port supervisory office. The owner or the master of an incoming or outgoing vessel should submit to the port supervisory office documents including the technical data of the vessel, the list of cargo to be loaded or unloaded, the list of crew members, health certificates and the estimated time of arrival and departure from the piloting point.

Article 11. Upon arrival at the piloting point, vessels calling at the ports should hoist the national flag of the D.P.R.K..

Article 12. Masters of incoming or outgoing vessels should submit documents required by the body concerned whenever they are undergoing inspection and quarantine at the relevant places.

Article 13. Any vessel which sails into or out of the ports or moves inside the water area should be subjected to pilotage. Pilotage shall be provided by a pilot of the port authority.

When entering the ports any vessel should be piloted from the piloting point to the anchorage or the wharf. If the port authority approves, the vessel may come to the boundary of the anchorage from the piloting point without a pilot. When leaving the ports any vessel should be piloted from the anchorage or the wharf to the piloting point, or to a certain point as the case may be.

The pilot shall not be liable to any loss incurred in the vessel which has been piloted.

Article 14. Vessels carrying dangerous substances, such as oil tankers and gas tankers, are allowed to anchor only in the water area specially assigned by the port authority.

Chapter 3. Use of Ports

Article 15. In case where one wants to undertake the stevedoring, carrying repacking, sorting and mixing of cargo, one should enter into a contract with the port authority. Items to be specified in the contract for cargo operation include the description and quantity of cargo, the type of work, the type of package, weight per package, the scheduled date of arrival of the vessel, the finishing date and hour of the work and precautions related to the handling of cargo.

In case of the loading of cargo, the cargo collection schedule should be attached to the contract.

Article 16. In case of storing cargo, a contract shall be concluded with the port authority.

The contract should obtain such particulars as the description and quantity of cargo, type of package, weight per package, the date of arrival, storage period and precautions related to the storage of cargo.

Article 17. In case of using the ports, fees quoted by the State price assessment institution should be paid.

The fees shall include the fee for use of the ports, oil supply fee, water supply fee, storage charge, stevedoring charge and carriage charge. The cargo stored in the port; shall be exempted from the storage charge for 10 days.

Article 18. Vessels shall be eligible for stevedoring in the order they enter the ports.

The vessels carrying perishable goods may be given priority in stevedoring in disregard of the order of entrance.

Article 19. Shipowners shall be liable for any labour accident caused in the course of stevedoring.

Article 20. The relevant establishments and enterprises of the D.P.R.K. are permitted to set up agencies acting for foreign shipowners or shippers using the ports to work with the relevant organizations and foreign-invested businesses in the ports.

Article 21. Foreign organizations, enterprises and individuals are allowed to work with the relevant organizations and foreign-invested businesses in the ports either directly or through the agencies.

Article 22. Funds needed for the management and operation of the ports and the improvement of their equipment shall be taken from the earning made by the ports themselves.

Article 23. The port authority may organize a combined port committee for the management and operation of the port. This committee shall be represented by the port authority, the port supervisory office, the railway transportation facilities, the customs, the inspection office, the quarantine office, the agencies of shipowners and shippers and the foreign-invested business using the port.

The port manager shall be in charge of the committee.

The committee may meet more than once a month.

Article 24. Investigations, research and observations on the water surface and the bottom of the sea, and such acts as would damage the environment and violate the procedures of entering and leaving and using the ports are not allowed.

Chapter 4. Sanctions and Settlement of Disputes

Article 25. The port supervisory office shall apply sanctions in the following cases:

- 1 . In case of the structures, facilities or equipment of the ports being damaged, the loss shall be compensated and a penalty of up to 5,000 won paid according to the seriousness of consequences.
2. In case of the handling of vessels or cargo being hindered, a penalty of up to 2,000 won shall be paid.
3. In case of oil being spilt in the water area of the ports, a penalty of up to 1,000 won shall be paid per square meter of the contaminated water area.
4. In case of toxic substances, waste water or garbage being disposed of in the water area or outside the assigned places of the ports, a penalty of up to 20,000 won shall be imposed per case.
- 5 . In case of environment being polluted and a fire danger being incurred by the burning of pitch, resin and other inflammable matters, a penalty of up to 10,000 won shall be imposed.
6. In case of a vessel leaving the port without outward clearance, the vessel shall be detained and pay a penalty of up to 20,000 won.
7. In case of fees not being paid within the prescribed period of time, the means of transport and the cargoes concerned may be seized or kept in custody.
8. In case of fathometers, raiders or wireless communication apparatus being used, the apparatus in question or the vessel shall be confiscated.

Article 26. The supervisory office may seize or keep in custody the means of transport or cargoes in question at the request of either the judicial and procuratorial organ or the creditor according to the relevant documents of the judicial and procuratorial organ.

In this case, all expenses, losses and risks caused during the period of custody shall be covered by the person who has requested seizure or custody.

Article 27. In case where contravention to the present regulations is grave in consequences, a criminal penalty shall be imposed on the offender.

Article 28. Any disagreement occurring in the operation and use of the ports shall be settled through consultations between the parties concerned. If consultation fail to arrive at a settlement, the case shall be examined and settled by the court of law or an arbitration body of the D.P.R.K. according to the prescribed procedures.