

**COMPILATION
OF
LAWS AND REGULATIONS
(FOR FOREIGN INVESTMENT)**

**Committee for the Promotion of External
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THE LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON FOREIGN INVESTMENT

Adopted by Resolution No. 17 of the Standing Committee of the Supreme People's Assembly on October 5, 1992, and amended by Decree No. 484 of the Presidium of the Supreme People's Assembly on February 26, 1999

Article 1. It is a consistent policy of the DPRK to expand and develop economic cooperation with other countries.

The State encourages foreign investors to invest in the territory of the DPRK on the principles of complete equality and mutual benefit.

Article 2. This Law is the basic law relevant to foreign investment which stipulates the general principles and rules for the protection of the investments of the foreign investors and for the guarantee of the legal rights and interests of the foreign-invested businesses.

A foreign investor is a corporate body or an individual of a foreign country that invests in the territory of the DPRK.

Foreign-invested businesses shall include foreign-invested enterprises, which may be a contractual or equity joint venture enterprise or a wholly foreign-owned enterprise, and foreign enterprises that are set up in the territory of the DPRK.

A contractual joint venture is a form of business activity in which investors from the DPRK and a foreign country jointly invest, the management is assumed by the partner from the host country and, depending on the provisions of the contract, the portion of the investment made by the foreign investor is redeemed or the share of the profits to which the foreign investor is entitled is distributed to him.

An equity joint venture is a form of business activity in which investors from the DPRK and from a foreign country invest jointly, operate the business jointly, and profits are distributed to the investors in accordance with the shares of their investment.

A wholly foreign-owned enterprise is a business enterprise in which a foreign investor invests and manages on his own account.

A foreign enterprise is an institution, enterprise, individual or other economic organizations from foreign countries with a source of income in the territory of the DPRK.

Article 3. A foreign investor shall be permitted to set up and operate an equity or contractual joint venture within the territory of the DPRK and a wholly foreign-owned enterprise in the Rason economic and trade zone.

Article 4. The State shall guarantee the legal rights and interests of foreign investors and foreign-invested businesses, as well as the conditions of their management activities.

Article 5. Institutions, enterprises, individuals and other economic bodies of foreign countries shall be permitted to invest within the territory of

the DPRK.

Overseas Korean compatriots shall also be allowed to invest within the territory of the DPRK, subject to the relevant laws and regulations.

Article 6. A foreign investor shall be allowed to invest in various sectors such as industry, agriculture, construction, transport, telecommunications, science and technology, tourism, commerce and financial services.

Article 7. The State particularly encourages investment in sectors that introduce modern technologies including the high technology, sectors that produce internationally competitive goods, the sectors of natural resources development and infrastructure construction, and the sectors of scientific research and technology development.

Article 8. Those foreign-invested enterprises that invest and operate in priority sectors stipulated in the previous Article shall receive preferential treatment, including the reduction of and exemption from income and other taxes, favourable conditions for land use, and the preferential supply of bank loans.

Article 9. Those foreign-invested enterprises that are established in the Rason economic and trade zone shall receive preferential treatments as follows:

1. No customs duty shall be levied on export and import goods other than those items that are prescribed by the State.

2. For an enterprise in a production sector, no income tax shall be payable for 3 years from the first profitable year and income tax may be reduced by up to 50per cent for the following 2 years.

The rate of income tax shall be 14per cent, which is lower than in the other areas.

Article 10. The State shall ensure that the relevant institutions make convenient the immigration formalities and methods for foreign investors entering or leaving the country with the purpose of setting up or operating business enterprises in the Rason economic and trade zone.

Article 11. Investment shall be prohibited or restricted in those projects which hinder the development of the national economy or endanger the national security, or which are technically obsolete and harmful to the environment.

Article 12. A foreign investor may invest in the form of currency, property in kind, industrial property rights, technical know-how and other assets and property rights. The value of assets and property rights invested shall be determined through an agreement between the partners on the basis of the international market prices prevailing at the time of the valuation.

Article 13. Foreign-invested enterprises shall be permitted to open branch offices, representative offices or agencies and to establish subsidiaries in the DPRK or other countries. They shall also be permitted to conduct joint operations with companies in other countries.

Article 14. Equity or contractual joint venture enterprises and wholly

foreign-owned enterprises shall become corporate bodies of the DPRK. Foreign enterprises and their branches, agencies and representative offices that are set up within the territory of the DPRK shall not become corporate bodies of the DPRK.

Article 15. The State shall lease the land required for foreign investors and the establishment of foreign-invested enterprises for a maximum period of 50 years.

Land so leased may be transferred or inherited during the period of lease with an approval of the relevant organ.

Article 16. A foreign-invested business shall employ its labour force from the host country. Managerial personnel, technicians and skilled workers for special jobs that are prescribed in the contract may be employed from abroad in agreement with the central trade guidance organ.

Labour force of DPRK shall be employed or dismissed according to a contract made with the relevant labour service agency.

Article 17. Foreign investors and relevant foreign-invested businesses shall pay income tax, turnover tax, property tax and other taxes.

Article 18. Foreign investors shall be permitted to reinvest the whole or part of their profit within the territory of the DPRK.

In such cases the whole or part of the income tax already paid on the reinvested portion may be refunded.

Article 19. Foreign-invested enterprises and assets invested by foreign investors shall not be subject to nationalization or seizure by the State.

Should unavoidable circumstances make it necessary to nationalize or seize such enterprises and assets, fair compensation shall be paid.

Article 20. Legal profit and other incomes earned by a foreign investor in its business activities and any money that remains after the liquidation of the business may be remitted abroad, subject to the laws and regulations of the DPRK relating to foreign exchange control.

Article 21. The State shall protect by law the managerial secrets of foreign-invested enterprises and shall not disclose them without prior agreement with the foreign investor.

Article 22. Any disagreement concerning foreign investment shall be settled through consultation.

In case of failure in consultation, it shall be settled by arbitration or legal procedures provided by the DPRK or may be brought to an arbitration agency in a third country for settlement.

THE LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON EQUITY JOINT VENTURE

Adopted by Resolution No. 10 of the Standing Committee of the Supreme People's Assembly on September 8, 1984, amended by Resolution No. 44 of the Standing Committee of the Supreme People's Assembly on January 20, 1994, amended by Decree No. 484 of the Presidium of the Supreme People's Assembly on February 26, 1999, and amended by Decree No. 2315 of the Presidium of the Supreme People's Assembly on May 17, 2001

Chapter 1. Fundamentals

Article 1. The Law of the Democratic People's Republic of Korea on Equity Joint Venture shall contribute to expanding and developing economic and technical cooperation and exchange between the DPRK and other countries.

Article 2. Institutions, enterprises or associations of the DPRK are allowed to establish an equity joint-venture enterprise with corporate bodies or individuals of foreign countries. An equity joint-venture enterprise shall be set up in principle in the Rason economic and trade zone. In case of need, it may be established in other parts of the country.

Article 3. Equity joint venture may be effected in science, technology, industry, construction, transport and other fields. The State shall encourage equity joint venture in the introduction of high technology and other state-of-the-art technologies, manufacturing of internationally competitive products, infrastructure construction and scientific research and technological development.

Article 4. Liability of each partner of an equity joint venture to debts and other obligations of the joint venture which may arise during the operation of a joint-venture enterprise shall be limited to the amount of his or her subscription.

Article 5. An equity joint-venture enterprise shall have the ownership of the assets subscribed by its partners and conduct independent business.

Article 6. An equity joint-venture enterprise shall be a corporate body of the DPRK on the day when it is registered at the relevant body. The State shall protect legal rights and interests of equity joint-venture enterprises.

Article 7. Equity joint-venture enterprises in priority projects or those working together with overseas Korean compatriots or those established within a specified area of the DPRK shall enjoy preferential treatments such as reduction or exemption of tax and favourable conditions of land use.

Article 8. An equity joint-venture enterprise shall conduct its business activities in compliance with this law. Any matter which has not been covered by this law shall be subject to the relevant laws and regulations of the DPRK.

Chapter 2. Establishment of an Equity Joint-Venture Enterprise

Article 9. The institutions, enterprises or organizations of the DPRK and foreign investors wishing to run an equity joint venture shall, after consultations with relevant bodies and conclusion of the joint-venture contract, submit to the central trade guidance organ an application for the establishment of an equity joint-venture enterprise, accompanied with the memorandum of the equity joint-venture enterprise, a copy of the contract, feasibility study report and so on. The central trade guidance organ shall, within 50 days after the receipt of the application, decide whether to approve or to reject the application.

Article 10. The registration of an equity joint-venture enterprise shall be made at the People's Committee of the province (or municipality directly under central authority) where the enterprise is to be located, or of Rason City, within 30 days from the day when the approval is given for its establishment. The date of its registration shall be the inauguration day of the equity joint-venture enterprise. The equity joint-venture enterprise shall, within 20 days after registration, register itself for tax purpose at the financial institution of the seat where it is located.

Article 11. Amounts of subscription by each partner shall be decided through mutual agreement between the partners. A joint-venture partner may subscribe in cash, kind, industrial property right, technical know-how, right to use land and so on. In this case, the prices of the property that has been contributed shall be assessed through mutual agreement between the partners on the basis of international market prices prevailing at that time.

Article 12. A joint venture partner may transfer or transmit its share of contribution to a third party, subject to consent of the other partner and then decision of the board of directors.

Article 13. An equity joint-venture enterprise may, with the consent of the Cabinet, open its branches, agencies or representative offices in the DPRK or in other countries and merge the companies or enterprises of foreign countries.

Article 14. A joint-venture partner shall make his subscription within the specified period of time. Where, for unavoidable reasons, he is unable to make subscription within the specified time limit, he may postpone it with the permission of the body that has approved the establishment of the enterprise.

Article 15. The registered capital of an equity joint-venture enterprise shall be 30 to 70 per cent or more of the total investment, depending on the size of the total investment. In case of increasing the registered capital, the change shall be made of the registration with the consent of the body which has approved its establishment.

The amount of registered capital shall not be reduced.

Chapter 3. Organizational Structure and Management of an Equity Joint-Venture Enterprise

Article 16. An equity joint-venture enterprise shall have the board of directors, which shall be the top decision-making body of the equity joint-venture enterprise.

Article 17. The board of directors shall discuss and decide on the major issues concerning the amendment to the memorandum, measures for the development of the joint-venture enterprise, planning of business activities, settlement of account and distribution, appointment and dismissal of the manager, assistant manager and the auditor.

Article 18. An equity joint-venture enterprise shall have the manager, assistant manager and accountants and may have other necessary management staff members. The manager shall be responsible for his work to the board of directors.

Article 19. An equity joint-venture enterprise may have an auditor. The auditor may inspect the management of the enterprise on a regular basis and shall be responsible for his work to the board of directors.

Article 20. An equity joint-venture enterprise shall be managed according to its memorandum and decisions made by the board of directors.

Article 21. An equity joint-venture enterprise shall start its operation within the specified period of time. Where, for unavoidable reasons, it is impossible to start operation within the specified period of time, it shall apply to the body which has approved its establishment for the approval of the delayed commissioning.

Article 22. An equity joint-venture enterprise shall have a license to conduct business activities. The central trade guidance organ or the Rason City People's Committee shall authorize the business activities of an equity joint-venture enterprise and issue business license. The day on which the business license is issued shall be the date of starting the operation of the enterprise.

Article 23. An equity joint-venture enterprise may purchase materials needed for its operation or sell its products within the territory of the DPRK. In this case it is required to submit to the relevant body within the specified period the yearly plans to purchase materials and to market its products.

Article 24. An equity joint-venture enterprise may import materials needed for operation or export goods it has produced. In this case approval is needed only for the entry and exit of the import and export goods.

Article 25. An equity joint-venture enterprise shall conduct its business activities within the limit of its categories which it has been allowed to be engaged in. In case of increase in the number or change in categories of business, an approval shall be obtained for this purpose from the relevant organ which has approved the establishment of the equity joint-venture enterprise.

Article 26. An equity joint-venture enterprise shall employ labour from

the DPRK. Some management personnel, technicians and skilled workers for special jobs who have been listed in the contract may be employed from foreign countries upon agreement with the central trade guidance organ.

Article 27. An equity joint-venture enterprise shall manage and use its employees in compliance with the labour-related laws and regulations of the DPRK for foreign-invested business.

Article 28. An equity joint-venture enterprise shall open an account with a bank of the DPRK upon agreement with the foreign exchange control body. If necessary, it may open an account with a bank of foreign country upon agreement with the foreign exchange control body.

Article 29. An equity joint-venture enterprise may borrow money needed for its business activities either from a DPRK bank or a bank of a foreign country.

Article 30. An equity joint-venture enterprise shall conduct its accounting as required by the accounting regulations of the DPRK regarding foreign-invested enterprises.

Article 31. An equity joint-venture enterprise which wishes to be insured shall take out the insurance policy of the DPRK.

Article 32. Employees of an equity joint-venture enterprise may organize trade unions. The joint-venture enterprise shall provide conditions for the activities of the union.

Chapter 4. Settlement of Accounts and Distribution by an Equity Joint-Venture Enterprise

Article 33. The financial year of an equity joint-venture enterprise begins on January 1 and ends on December 31 of the calendar year. Settlement of accounts for any financial year shall be completed by the end of February the next year.

Article 34. Accounts of an equity joint-venture enterprise shall be settled in such a way as determining the profit by deducting from the gross revenue the costs of materials, fuel, power, labour and depreciation, and insurance premium, purchase expenses, sales proceeds and other overhead expenses, and calculating the net profit by deducting from the profit the turnover or business tax or other expenses.

Article 35. An equity joint-venture enterprise shall create reserve fund by putting aside 5per cent of its annual net profit until the reserve fund amounts to 25per cent of its registered capital. The reserve fund shall be used only for the purpose of compensation for loss or increase of registered capital.

Article 36. An equity joint-venture enterprise shall create necessary funds for production expansion, technological development, bonus for employees, welfare and training. Types, amounts and use of different funds shall be discussed and decided by the board of directors.

Article 37. An equity joint-venture enterprise shall distribute profits after its balance sheets have been audited by the person concerned and approved by the board of directors. The profits shall be distributed to the partners according to the proportion of their contribution, after payment of income tax and deduction of reserve and other necessary funds from them.

Article 38. An equity joint-venture enterprise shall be liable to pay tax. However, income tax may be reduced or exempted for a certain period of time from the first profit-making year.

Article 39. An equity joint-venture enterprise may use its net profit of a year for covering the loss incurred the previous year. In this case, the carrying forward period shall be limited to 4 years.

Article 40. An equity joint-venture enterprise shall submit its financial statements within the specified period of time on a yearly and quarterly basis to the body which has approved its establishment, the financial body, and other relevant bodies.

Article 41. The foreign partner of an equity joint-venture enterprise may reinvest in the territory of the DPRK the whole or part of his profit which has been distributed. In this case, the income tax on the reinvested profit may be wholly or partially refunded from the total amount of income tax which has already been paid.

Article 42. The foreign partner of an equity joint-venture enterprise is allowed to remit abroad profits earned from business and other income, as well as money received after the liquidation of business.

Chapter 5. Dissolution and Settlement of Disputes

Article 43. An equity joint-venture enterprise shall be dissolved when it is unable to continue its operation for such reasons as the termination of the contract, insolvency, default of the contract obligations by either of the partners and natural calamities.

Article 44. An equity joint-venture enterprise may, if there is a reason to do so, decide on the dissolution at the board of directors even before the termination of the contract and dissolve itself with the permission of the body which has approved its establishment or according to a decision made by a court.

Liquidators shall be appointed and liquidation committee be organized by the board of directors if the enterprise is dissolved with the permission of the body which has approved its establishment, or by the court if it is dissolved according to a court decision. The liquidation committee shall settle all transactions and finish liquidation of the enterprise and, within 10 days therefrom, go through formalities needed for the cancellation of its business registration.

Article 45. In case of extension of its operation period, an equity joint-venture enterprise shall decide on it at the board of directors and obtain an

approval for extension from the body which has approved its establishment, 6 months before the termination of the original contract. The operation period shall be counted from the day when the enterprise is registered at the People's Committee of the province (or municipality directly under central authority) or of the Rason City.

Article 46. An equity joint-venture enterprise which has a grievance against an instruction given by an administrative body or an act done by an official of the administrative body may make an appeal to a higher body. The body which has received the appeal shall, within 30 days after its receipt, examine and settle the appeal.

Article 47. Any disagreement regarding an equity joint venture shall be settled through consultation. In case of failure in consultation, it shall be settled through arbitration or legal procedures provided by the DPRK or by an arbitration agency of a third country.

REGULATIONS FOR THE IMPLEMENTATION OF THE LAW ON EQUITY JOINT VENTURE

Adopted by Decision No. 19 of the Cabinet on March 11, 2000

Chapter 1. General

Article 1. These regulations are formulated to provide for system and discipline in joint venture businesses subject to the Law of the DPRK on Equity Joint Venture, and to expand and develop economic and technical cooperation and exchange between the DPRK and other countries.

Article 2. Institutions, enterprises or entities of the DPRK (hereinafter called the investor of the DPRK) can establish an equity joint venture with corporate bodies and individuals of other countries and Korean compatriots resident outside the territory of the DPRK (hereinafter called the foreign investor).

Equity joint ventures shall be established mainly in Rason economic and trade zone (hereinafter called the Zone).

If necessary, they may be established in other parts of the DPRK territory outside the Zone.

Article 3. An equity joint venture is one that is jointly incorporated and operated with joint investment by, and whose profit is distributed proportionate to the share of contributions between the investor of the DPRK and the foreign investor.

An equity joint venture shall have the ownership of the assets contributed by its parties, be independent in business and be liable to corporate debts within the limit of assets under its ownership.

Article 4. The assets of equity joint ventures shall not be nationalized or expropriated by the State. Legal rights and interests of equity joint ventures and the parties shall be protected by the State.

The assets and employees of equity joint ventures shall not be used for other purposes except in unavoidable circumstances.

Equity joint ventures and parties are obliged to respect and strictly observe the laws and regulations of the DPRK.

Article 5. Equity joint ventures shall be placed under the unified guidance and control of the Ministry of Foreign Trade (hereinafter called the central trade guidance organ).

Article 6. All documents of equity joint ventures shall be made in Korean.

Where the documents are made in a foreign language as may be agreed between the parties, the Korean version shall be attached thereto.

Article 7. Within the territory of the DPRK all equity joint ventures shall be established and operated in compliance with these regulations.

Provisions not specified in these regulations shall be subject to the

relevant laws and regulations of the DPRK.

Chapter 2. Establishment of an Equity Joint Venture

Article 8. Equity joint ventures may be effected in the fields of science, technology, electronics, and automation, machine-building, metal, mining, power, building-materials, pharmaceutical, chemical industries, construction, transport, finance, and others.

Article 9. The State shall encourage equity joint ventures conducive to the introduction of high technology and other state-of-the-art technologies, manufacturing of products with high international competitiveness, scientific research and technological development, exploitation of underground natural resources and infrastructure construction.

Article 10. Equity joint ventures in priority projects, those with overseas Korean compatriots with the citizenship of the DPRK, or those established in a special economic zone like the Zone, may be accorded preferential treatments, such as reduction of or exemption from tax and favourable conditions for land use, pursuant to appropriate laws and regulations of the DPRK.

Article 11. Establishment of equity joint ventures in the fields specified otherwise by the State and those detrimental to national security or to public interests shall be prohibited.

Article 12. Equity joint ventures that fail to meet environmental criteria, those whose equipment and production process are outdated from the economic and technical point of view, those that export unprocessed natural resources of the DPRK, and those with low economic efficiency shall be restricted.

Article 13. In order to establish an equity joint venture, the investor of the DPRK shall prepare a draft equity joint venture contract, memorandum of association and feasibility study report with the foreign investor.

Article 14. The equity joint venture contract shall include:

- 1) Title of the company and its domicile,
- 2) Names of the contracting parties and their addresses,
- 3) Purpose of the establishment of equity joint venture, categories of business, and its duration,
- 4) Total amount of investment, registered capital, shares and amount of contributions and transfer of the shares of contribution,
- 5) Rights and duties of the contracting parties,
- 6) Operational management structure and labour management,
- 7) Transfer of technology,
- 8) Creation and use of funds, settlement of accounts and distribution of profits,
- 9) Liability to and relief from defaults and settlement of disputes,
- 10) Amendment, supplement or cancellation of contract and insurance

governing laws,

- 11) Dissolution and liquidation,
- 12) Validity of the contract, and
- 13) Other necessary provisions.

Article 15. The memorandum of association shall include:

- 1) Title of the company and its domicile,
- 2) Names of the parties to the joint venture and their addresses,
- 3) Purpose of the establishment of the equity joint venture, categories of business, scope and scale of operation, and its duration,
- 4) Total amount of investment, stages and periods of investment, registered capital, shares of contribution, list of contribution, period of calls, and transfer of contribution,
- 5) Formation of the board of directors and its obligations, procedure of the board of directors, ways of notification, and representative of the highest decision-making body of the company,
- 6) Management structure, staff and their mandates, head of the company and number of employees (including foreign nationals),
- 7) Planning and production activities (business included), marketing of products, and purchase of equipment, raw and other materials,
- 8) Conditions for the activities of the trade union,
- 9) Bookkeeping and labour management,
- 10) Settlement of accounts and distribution, creation and use of funds,
- 11) Dissolution and liquidation,
- 12) Amendment and supplement of memorandum, and
- 13) Other necessary provisions.

Article 16. The feasibility study report shall include the details of investment, information concerning construction, production and disposal of products, amount of labour, raw and other materials, finance and power and water required and the ways of their provision and data on phased profitability, technical analysis, environmental protection, labour safety and hygiene and other necessary details.

Article 17. The investor of the DPRK shall send detailed documents about the application for the incorporation of the equity joint venture to the relevant authorities for their agreement.

Agreement shall be made:

- 1) With the State planning institution over such issues as the total amount of investment, list of property in kind to be invested, provision of labour, raw and other materials, power and water, production and marketing of products, data on phased profitability,
- 2) With the central financial institution over such issues as the total amount of investment, amount of contribution both in kind and in cash, source of funds, data on phased profitability,
- 3) With the central science institution over such issues as technical

analysis of investment in kind and technical investment and information concerning the transfer of technology,

4) With other relevant institution over necessary details.

Article 18. The relevant institutions shall review and send back the document for agreement to the applicant within 15 days from its receipt together with their recommendations.

The central trade guidance organ may receive the said agreement directly from the relevant institutions.

Article 19. The review and approval of the incorporation of the equity joint venture shall be made by the central trade guidance organ.

Article 20. The investor of the DPRK shall, upon the conclusion of the joint venture contract with the foreign investor, file to the central trade guidance organ an application for the incorporation of the equity joint venture.

In case institutions and enterprises outside the Zone intend to establish an equity joint venture in the Zone, they shall first have the advice of the Rason City People's Committee (hereinafter called the Zone Administration) and then file their application for the incorporation of the equity joint venture to the central trade guidance organ.

Article 21. The application shall include the following:

- 1) Title of company and its domicile,
- 2) Names and addresses of the parties,
- 3) Purpose of incorporation of equity joint venture and its profitability,
- 4) Total amount of investment, phases and periods of investment, registered capital, shares and amount of contributions and period of calls,
- 5) Date of contract, duration and planned inaugural date,
- 6) Categories of business and scope of operation,
- 7) Bank for opening an account,
- 8) Capacity of production and proportion of export of products,
- 9) Site area and location,
- 10) Estimated annual profit and its distribution,
- 11) Requisite number of management staff and employees (foreign nationals included), and
- 12) Other necessary details.

The equity joint venture contract, the memorandum of association, the feasibility study report, agreements with the relevant institutions and the credit reference issued by the bank with which the parties to joint venture keep accounts shall be appended to the application.

Article 22. The Zone Administration shall review the application for the incorporation of equity joint venture from the investor of the DPRK in the Zone and submit it to the central trade guidance organ with its recommendations within 10 days of its receipt.

Article 23. The central trade guidance organ shall, within 50 days from the receipt of the application for the incorporation of the equity joint venture, review and decide whether to approve or reject it and issue to the applicant the

letter of approval of the incorporation of the company, or the letter of regret.

The said letter of approval shall specify the name of the company and its domicile, the names of the parties to joint venture, the total amount of investment and registered capital, the share and amount of contribution by each of the parties, the period of calls, the duration, the planned inaugural date, categories of business, scope of operation, bank for opening an account, the number of management staff and employees (foreign nationals included) and other necessary details; and the letter of regret shall specify the reason for rejection and recommendations.

Article 24. Upon the approval of the establishment of the equity joint venture, parties to the joint venture shall have the official seal of the company engraved and register its name as stipulated in the approved document of its establishment and open its account in the corresponding bank, pursuant to the relevant laws and regulations.

Article 25. The equity joint venture shall, within 30 days from the receipt of the letter of approval of the incorporation of the company, register the company with the provincial people's committee (with the Zone Administration in the Zone) and have its certificate of business registration issued.

The date of the company's registration shall be its foundation day and it shall become a corporate body of the DPRK on this date.

Article 26. The equity joint venture shall, within 20 days from the date of its registration, register itself with the relevant taxation institution for tax purposes.

Upon the registration, the taxation institution shall issue the certificate of tax registration.

Article 27. The equity joint venture shall, within 20 days from the date of its registration, register with the relevant customs office for customs purposes.

Article 28. The equity joint venture may open branches, representative offices or agencies (hereinafter called the branch) in the territory of the DPRK or in other countries.

An application to this purpose shall be tendered to the central trade guidance organ for its review and approval.

The application shall specify the reason for the opening of the branch, details of its activities, its structure and location, and be accompanied by a copy of the letter of approval of the incorporation of the company.

Chapter 3. Contribution

Article 29. Parties to the equity joint venture shall make contributions according to the joint venture contract approved by the central trade guidance organ.

Article 30. Contribution may be made in cash, in kind, with property

rights or with technical know-how and the like.

Property rights include industrial property right, copyright, the right of use of land and so on.

Article 31. Property in kind contributed by the foreign investor shall be his own possession and the one which is essential and indispensable to the production of the joint venture and which is not available within the territory of the DPRK or, though available, is short of supply in terms of quality and quantity.

Article 32. Industrial property, technical know-how (hereinafter two of these called technology) and copyright shall not be contributed unless they meet one or more of the following requirements:

- 1) Production of new products or export goods,
- 2) Improvement of quality and productivity of products,
- 3) Sizable economy of raw materials, labour and energy, or utilization to the full of natural resources of the DPRK.
- 4) Labour safety and environmental protection, and
- 5) Improvement of economic arrangement and management.

Article 33. In case of contribution in kind, a description of property shall be made available containing the name, dimension, unit, quantity, usage, unit price, name of the manufacturer, name of the exporter-country and other necessary details, as well as a bill, a quality pass and so on.

Article 34. In case of contribution of immovable property, there shall be made available a statement containing the space, usage, price, period of validity of the title, as well as the drawing, technical specifications, calculation of the assessed price and the relevant certificate of ownership or the right of use.

Article 35. In case of contribution in the form of technology or copyright, there shall be made available a statement specifying the title, name of the owner, practical value, period of validity (except for technical know-how) as well as technical data such as technical references, blueprints, operation manuals, basis of calculation of the assessed price and so on.

The value of technology and copyright shall not, in principle, exceed 20per cent of the total amount of contribution.

Article 36. Contribution shall be deemed to have been duly made in the following cases:

- 1) Money has been transferred to the account of the joint venture in the bank,
- 2) The ownership or the right of use of immovable property has been registered with the registrar of estate after completing the procedures to transfer its ownership or the right to use it to the company,
- 3) Property in kind other than immovable has been moved to the premise of the joint venture after completing the procedures to transfer its ownership or the right to use it, or
- 4) The relevant instrument of property right has been transferred to the

joint venture through due procedures.

Article 37. Property in kind, property right and technical know-how contributed shall be priced by the parties to the joint venture through consultation based upon the international market price concerned.

The price of the property contributed shall be expressed in Korean *won*.

In case of contribution in foreign currency, it shall be expressed in Korean *won* at the exchange rate quoted by the Foreign Trade Bank of the DPRK on the day of transfer.

Article 38. Where the property contributed is priced less than the amount of obligatory contribution provided for in the equity joint-venture contract or the memorandum of association at the time of contribution, the contributor in question shall be obliged to fill the gap through an additional contribution.

Article 39. Parties to the joint venture shall make their contributions within the period specified in the approved document of the incorporation of the equity joint venture.

Article 40. Where, for an unavoidable reason, a party to the equity joint venture intends to extend the specified period of contribution, he shall, one month before the end of the specified period, submit to the central trade guidance organ an application for the extension of the period of contribution to obtain permission.

The application shall include the name and address of the applicant, amount of contribution, extended period and the reason for extension.

The period of contribution may be extended on several occasions, but not for longer than 12 months in all.

Article 41. If a party to the joint venture fails to make contribution within the prescribed period of time without any proper reason, the central trade guidance organ may cancel its approval of the incorporation of the company. In this case, the central trade guidance organ shall notify business registration institution, taxation and other relevant institution of its cancellation.

Article 42. If a party to joint venture inflicts a loss to the other party through failure to contribute within the prescribed period of time, the former shall compensate the latter for it.

Article 43. When contributions have been made to the full, the board of directors shall assess the state of contributions, and the evidence of contribution, confirmed by the relevant verification institution, shall be submitted to the central trade guidance organ.

The certificate of contribution shall then be issued to the contributor.

The certificate of contribution shall specify the name of contributor, share and amount of contribution, duration of the company, date of the registration of the company and reference number.

Article 44. A party to joint venture may transfer (sell or donate), or transmit to a third party, part or the whole of his share.

In this case, he shall obtain the consent of the other party and get the

approval of the central trade guidance organ, subject to the decision of the board of directors.

In case of sale, the other party to the joint venture shall have a prior lien on the said part of share on terms no less favourable than those offered to others.

Article 45. The total amount of investment is the sum total of capital necessary for the incorporation and operation of the equity joint venture.

The registered capital of an equity joint venture, which is the capital of the company registered with the central trade guidance organ, shall be the whole amount of contributions made by the parties to the equity joint venture. The ratio of registered capital to the total amount of investment shall be as follows:

1) More than 70 per cent of the total amount of investment of up to 225,000,000 *won*,

2) More than 65 per cent of the total amount of investment from 225,000,001 *won* to 450,000,000 *won*,

3) More than 45 per cent of the total amount of investment from 450,000,001 *won* to 1,500,000,000 *won*,

4) More than 35 per cent of the total amount of investment from 1,500,000,001 *won* to 4,500,000,000 *won*, and

5) More than 30 per cent of the total amount of investment of over 4,500,000,001 *won*.

The ratio of the registered capital to the total amount of investment may vary, subject to the approval of the central trade guidance organ.

The difference between the total amount of investment and registered capital may be covered with loan.

Article 46. The amount of registered capital may be increased, but not reduced.

In case of increase of registered capital, the consent of the central trade guidance organ shall be obtained by submitting an application for the increase of registered capital after the decision of the board of directors.

Upon the increase of registered capital, the equity joint venture shall have the change of registered capital registered with the relevant body.

Chapter 4. Management Body

Article 47. An equity joint venture shall have a board of directors. The board of directors is the highest decision-making body of the equity joint venture.

The board of directors shall have one chairman and one or two vice-chairmen.

The number of vice-chairmen and directors shall be specified in the memorandum of association.

Article 48. The chairman and vice-chairmen shall be elected at a

meeting of the board of directors and their term shall be in principle 3 years.

If necessary, the term may be determined otherwise through agreement between the parties.

The chairman is the legal representative of the highest decision-making body of equity joint venture.

The vice-chairmen shall assist the chairman in his work and act for him if the chairmanship is vacant.

Article 49. The board of directors shall convene regular meetings and special meetings.

Regular meetings may be convened more than once a year and special meetings may be held at times of need.

Special meetings may be held upon the request of more than one third of the directors.

Article 50. The board of directors shall notify the directors in writing of the date, place and agenda of a meeting, either 30 days prior to a regular meeting or 15 days prior to a special meeting.

Article 51. The quorum for a meeting of the board of directors is more than two thirds of the total number of the directors.

The board of directors shall discuss and decide on such important matters as amendment of and supplement to the memorandum of association, corporate strategy of the company, plan of business activities, settlement of accounts and distribution, appointment and dismissal of the managing director and his deputy of the company, the auditor and the chief accountant, increase of registered capital, transfer of share of contribution, change of categories of business, extension of the period of operation, dissolution, and formation of the liquidation committee.

Article 52. The decision of the board of directors on the amendments and supplements of the memorandum, transfer of share of contribution, changes in categories of business and registered capital, extension of period of operation, or dissolution shall be adopted by the affirmative vote of all directors present at the meeting, and the decision on the other issues by the affirmative majority vote.

Article 53. A director may vote by proxy.

In case of voting by proxy, the chairman shall be informed of this, and the proxy shall bear a letter of attorney clarifying his range of power.

Article 54. The board of directors shall vote by show of hands, secret ballot or in writing.

Article 55. Minutes of the meeting of the board of directors shall be signed by the chairman, vice-chairmen and directors and kept for 5 years after the dissolution of the business.

Article 56. An equity joint venture shall have a management body. The body shall consist of a managing director and his deputy, accountants and other necessary staff.

A large company may have a consultative body consisting of the

managing director, his deputy, the chief accountant and other necessary staff. The managing director, his deputy and the chief accountant of the company may come from the parties to the joint venture.

Article 57. The extent of representation of the managing director of the company shall be decided by the board of directors.

The managing director shall manage the company in accordance with the memorandum of association and decisions of the board of directors and shall be accountable to the board of directors for the business activities of the company.

The managing director of the company may be a person who is not a member of the board of directors.

Article 58. A member of the management body of an equity joint venture shall not hold any other posts in other institutions and enterprises. If necessary, a member of other institution or enterprise may be a member of the management body of an equity joint venture subject to the approval of the central trade guidance organ.

Article 59. If a member of the management body inflicts loss or damage upon his company by his own fault, he shall be liable to compensate for such loss or damage.

Article 60. A small equity joint venture may have an auditor and a large equity joint venture may have an auditors' commission composed of auditors.

The number of auditors shall be decided by the board of directors.

Article 61. An auditor shall have a term of two years.

He may be re-appointed, but shall not hold another post in the company. An auditor shall be responsible for his work before the board of directors.

Article 62. The auditors' commission, or an individual auditor, shall be empowered to inspect on a routine basis the day-to-day business activities of the company, audit books of account and other financial statements that are to be presented to the board of directors, and file a report to the board of directors.

The auditor may speak at the meetings of the board of directors, and shall be liable to compensate for loss or damage he may have inflicted upon the company through negligence on his part.

Chapter 5. Business Licence

Article 63. An equity joint venture shall obtain a business licence in order to undertake business activities.

Article 64. Business licence shall be issued by the central trade guidance organ or the Zone Administration (hereinafter called the business licensor).

Article 65. Business licence shall be obtained not later than the date of inauguration specified in the letter of approval of incorporation of the company.

In case the equity joint venture is not able to be inaugurated within the prescribed period of time for unavoidable reasons, an application shall be tendered to the central trade guidance organ for the extension of the inaugural date of the company.

Article 66. The following conditions shall be satisfied in order for a business licence to be issued:

1) In case a building is newly built or expanded, it must pass the completion inspection,

2) In case the company is a manufacturer, it must produce specimen goods after the dry-run test,

3) In case the company is in the service sector, it must be ready for operation by purchasing all necessary equipment, facilities and other goods,

4) All the investments should be made as specified in the letter of approval of incorporation of the company, and

5) Other necessary arrangements must be done to run the business.

Article 67. An equity joint venture shall, upon completion of arrangements to start operation, send written requests for inspection or confirmation to the relevant institutions such as the project completion inspection institution and the institution for the confirmation of the safety of production process and facilities.

Article 68. An institution which has been so requested shall inspect or confirm the subjects of the request within the specified time limit, and if any defect is found, have it corrected and then issue relevant certificates of inspection or confirmation.

Article 69. An equity joint venture wishing to obtain a business licence shall submit an application for that purpose to the business licensor.

The said application shall specify the name and domicile of the company, expected date of inauguration, total amount of investment, registered capital, investment actually made, categories of business and so on, and shall be accompanied by documents issued by relevant institutions, such as certificate of investment, certificate of completion inspection and certificate of the production

process and facilities safety confirmation, evaluation of environmental effect, certificate of company's registration, specimen products, and other documents.

Article 70. The business licensor shall, within 15 days from the receipt of the application, make all necessary confirmations and issue the business licence or reject it.

Upon receiving the business license, the equity joint venture shall inform it to the taxation institution for tax purposes.

The date of issue of the business licence shall be the date of inauguration of the equity joint venture.

Chapter 6. Operation

Article 71. An equity joint venture shall conduct business activities within the limits of the categories of business permitted. In case it wishes to expand or change the categories of business, the company shall submit an application to the central trade guidance organ.

The application shall specify the name and domicile of the company, contents of and reasons for the change, and shall be accompanied by a feasibility study report and the decision of the board of directors.

Article 72. The central trade guidance organ shall, within 30 days of the receipt of the application, examine the application and send the letter of approval or the letter of regret to the applicant and other relevant institutions.

Article 73. An equity joint venture shall, within 5 days after the receipt of the notice approving the change of the categories of business, have a new business licence issued.

Article 74. An equity joint venture shall register the plan, which has been discussed and agreed by the board of directors, with the central trade guidance organ (or the Zone Administration in the Zone) and implement it.

Article 75. An equity joint venture may purchase within the territory of the DPRK or import from other countries materials, technology and copyright necessary for its business activities and may sell within the territory of the DPRK or export its products, technology or copyright.

Article 76. When procuring labour, materials, technology, equipment, power or water within the territory of the DPRK or selling its products to the institutions and enterprises of the DPRK, an equity joint venture shall submit its plan of procurement or sale to the central trade guidance organ (or the Zone Administration in the Zone) and make its procurement or sale according to the procedures set by the central trade guidance organ (or the Zone Administration in the Zone).

Article 77. An equity joint venture may import materials necessary for investment, production and management, and export its products and technologies.

In this case, an application for import or export shall be submitted to the central trade guidance organ (or the Zone Administration in the Zone) for approval.

The application shall specify the description, quantity, unit price and total value, the border-crossing points and duration and the reason for such import or export.

Article 78. An equity joint venture wishing to import or export technologies and copyrights shall obtain approval from the relevant central authority (or the Zone Administration in the Zone). In this case, an application shall be submitted for approval of import or export of technologies.

The application shall state the title, content and price of such technologies, and the reason for their export or import.

Article 79. An equity joint venture may consign the export of its products or the import of necessary materials to a relevant trading company of the DPRK.

Article 80. An equity joint venture may make purchase of goods and materials necessary for its operation directly from a commercial institution of the DPRK.

Article 81. Prices of materials necessary for production, products, technologies or copyrights exported or imported by an equity joint venture (including technical service charges) shall be based on the then prevailing international market prices and be decided by the agreement between the parties to the equity joint venture.

Article 82. Customs duty shall be applied to the export and import of an equity joint venture in accordance with the laws and regulations of the DPRK concerning customs duty.

In case an equity joint venture imports materials for investment and materials needed for its operation and export its products to other countries, no customs duties shall be charged.

Article 83. Where an equity joint venture ships in any property in kind as a contribution, it shall have them inspected and certified by the foreign goods inspection institution (in case of technology and copyright, by the relevant institution).

The equity joint venture shall provide necessary conditions for inspection and certification of the property in kind, technology or copyright.

Article 84. The foreign goods inspection institution and other relevant institutions shall, upon the request for inspection and certification, inspect and certify the property in kind, technology or copyright and issue relevant documents.

Article 85. An equity joint venture may entrust the processing of raw and other materials and parts or components to institutions and enterprises of the DPRK. In this case, a contract of processing on consignment shall be concluded.

Article 86. An equity joint venture shall employ and utilize the necessary labour force in accordance with the laws and regulations of the DPRK on labour for foreign-invested business.

Article 87. An equity joint venture may employ foreign nationals as management staff, technicians or skilled workers for special jobs specified in the joint venture contract.

In this case, it shall submit an application for employment of foreign nationals to the central trade guidance organ and obtain approval therefrom.

The application for employment of foreign nationals shall specify such details as name, sex, date of birth, citizenship, nationality, curriculum vitae, reasons for and duration of employment, address, content and period of technical transfer, salary and provision of living conditions of the foreign nationals to be employed.

Article 88. An equity joint venture shall provide its employees in time with labour protection materials, such as labour protection tools, items necessary for work and nutritional foodstuffs.

It shall set by itself the standards for supply of labour protection materials for its employees, which shall not be lower than those specified in the laws and regulations of the DPRK concerning labour.

Article 89. An equity joint venture may undertake construction on its own account, or subcontract it to a construction company of the DPRK.

If necessary, it may subcontract it to a construction company of another country subject to the approval of the state construction supervision institution.

Article 90. The employees of an equity joint venture may form a trade union.

The trade union shall be engaged in the following activities:

1) Educate the employees to observe the labour regulations and faithfully carry out their economic tasks.

2) Undertake the dissemination of scientific knowledge and organize sports, arts and literary activities among the employees,

3) Protect the rights and interests of the employees, enter into a labour contract with the management on behalf of the employees, and supervise its implementation.

The labour contract shall provide for the duties of the employees, quantity and quality indices of production, working hours and rest time, remuneration for labour, insurance and welfare, labour protection, working conditions, labour discipline, reward and penalties, and conditions for resignation, etc., and

4) Participate in any discussion concerning the rights and interests of the employees to make suggestions and recommendations.

Article 91. An equity joint venture shall decide any matter related to the rights and interests of the employees in consultation with the trade union.

Article 92. An equity joint venture shall provide the trade union with necessary funds and conditions for its activities.

Article 93. An equity joint venture shall conduct its accounting according to the accounting regulations of the DPRK for foreign-invested enterprises.

Article 94. An equity joint venture shall keep financial and accounting documents such as the general ledger and journal books.

Article 95. An equity joint venture shall conduct its accounting in Korean *won*.

The accounting may be done in a foreign currency through an agreement between the parties concerned. In this case, it shall be estimated in Korean *won* and entered in the books of accounting. The conversion of the foreign currency into Korean *won* shall be done at the then rate of exchange set by the foreign trade bank of the DPRK.

Article 96. Books of accounts of an equity joint venture shall be

preserved for such periods of time as specified in the relevant laws and regulations of the DPRK.

Article 97. An equity joint venture shall, within 1 month of its acquisition of fixed assets, register them with the central trade guidance organ or the Zone Administration (hereinafter called the registrar of the fixed assets).

Article 98. An equity joint venture may scrap, transfer, or mortgage its registered fixed assets. In this case, the company shall send an application for agreement to the registrar of the fixed assets to this effect within 5 days after the issue has been discussed and decided by the board of directors.

The application shall state the necessary details such as reason for the disposal of the fixed assets and price of their disposal.

Article 99. The fund of fixed assets depreciation shall be set aside and be used for replacing or repairing the fixed assets. The fund may also be used as circulating fund. The fund of the fixed assets shall be covered within the next quarter as much as it was used as circulating fund.

Article 100. An equity joint venture shall make inventory of its fixed assets once a year or more.

The result of the inventory shall be reported to the registrar of the fixed assets.

The equity joint venture shall make inventories of the liquid assets every month or every quarter and, if an excess or shortage is found with the assets, take proper measures.

Article 101. An equity joint venture shall deposit and use foreign currency in compliance with the laws and regulations of the DPRK on foreign exchange control.

Article 102. An equity joint venture shall open its accounts of Korean *won* and foreign currency in a foreign exchange bank of the DPRK.

Article 103. An equity joint venture may be granted a loan needed for its business activities from a bank either within the territory of the DPRK or in any foreign country.

In case of loan from a bank in another country, the company shall send a notice to the foreign exchange control organ.

Article 104. An equity joint venture may open an account with a bank in a foreign country. In this case, the company shall submit to the foreign exchange control organ for approval a document stating the name of the bank, the reason for the opening of the account, and a copy of the certificate of approval of the incorporation of the company.

Article 105. An equity joint venture wishing to deposit its foreign currency in a bank in a foreign country shall obtain approval from the foreign exchange control organ.

Article 106. An equity joint venture (except those in the Zone) that has an account with a bank in a foreign country shall submit to the central trade guidance organ and the foreign exchange control organ the quarterly records of revenues and expenditures of foreign currency within 30 days after the end of

every quarter.

Article 107. An equity joint venture shall not be allowed to do transactions in foreign currency in cash with other institutions, enterprises or individuals of the DPRK in the territory of the DPRK.

Article 108. The Korean won invested in an equity joint venture as contribution or earned from the sale of its products to local institutions or enterprises in accordance with the procedures set by the central trade guidance organ may be used for the purchase of raw and other materials and for the payment of costs of labour and PR activities, charges, etc. within the territory of the DPRK.

Article 109. An equity joint venture (except those in the Zone) shall deposit separately the Korean *won* earned from processing by-products in its account in a bank and use it only for designated purposes.

Article 110. An equity joint venture shall insure itself with an insurer operating in the territory of the DPRK.

Chapter 7. Settlement of Accounts and Distribution

Article 111. An equity joint venture shall settle its accounts concerning its operation.

The financial year for an equity joint venture shall be from January 1 to December 31 of each calendar year.

For the year in which the company is established, the financial year shall be from the date of establishment to December 31 of the same year and for the year in which the company is dissolved, the financial year shall be from January 1 to the date of dissolution.

Article 112. An equity joint venture shall conduct its annual financial settlement to determine the annual settled profit by subtracting the cost, turnover taxes and other expenses from the total revenue.

Article 113. An equity joint venture shall create a reserve fund by saving 5per cent of the annual settled profit until the amount of the fund reaches 25per cent of the registered capital.

The reserve fund shall be used only for increasing the registered capital or making up for the loss incurred by the company.

Article 114. An equity joint venture shall create a fund for production expansion and technological development, bonus fund, welfare fund and training fund for its employees, and other necessary funds within the range of 10per cent of the net profit and use them at its discretion.

Article 115. An equity joint venture shall pay relevant taxes according to the laws and regulations of the DPRK on tax.

Article 116. An equity joint venture may use the reserve fund to make up the loss incurred in the preceding year.

In case the reserve fund is not enough for such a balance, the remainder of the loss may be covered with the profit remaining after the payment of

income tax from net profit in the next year, provided that such carry-forward not be done for more than 4 successive years.

Article 117. The quarterly and yearly financial statements of an equity joint venture shall be checked by an auditor.

Article 118. The documents of annual settlement shall be ratified by the board of directors.

Article 119. Profit distribution shall be conducted by dividing among the parties on the basis of their shares of contribution the remaining part of the income after the income tax has been paid and necessary funds have been deducted from the net profit.

Article 120. An equity joint venture shall submit to the central financial organ and the central trade guidance organ (the Zone Administration in the Zone) the quarterly financial statements within 15 days after the end of the quarter, and the yearly financial statements by February the next year.

The financial statements shall be accompanied by a written attestation from the certified public accountants office.

Article 121. The parties to an equity joint venture may reinvest their profits to their company.

Article 122. A foreign party to the equity joint venture may remit out of the territory of the DPRK without paying taxes its legal profits earned from the operation of the company, other income and the money distributed after the liquidation of the company.

If the foreign party wishes to remit foreign currency out of the territory of the DPRK, he shall submit an application for remittance to the relevant bank. In this case, the certificate of the central trade guidance organ shall be appended to the application.

Chapter 8. Duration and Dissolution

Article 123. Duration of an equity joint venture shall be decided as stipulated in the approved document of the company's establishment, and the duration shall be calculated from the date on which the company is registered.

Article 124. An equity joint venture may extend the duration upon agreement between the concerning parties. In this case, the board of directors shall discuss and decide the issue 6 months before the expiry of duration and submit an application for extension of duration to the central trade guidance organ and obtain approval therefrom.

The application shall state the name and domicile of the company as well as the period of and the reason for extension and shall be accompanied by a copy of the decision of the board of directors and the feasibility study report.

Article 125. The central foreign trade guidance body shall review the application and send a notice of either approval or disapproval to the applicant within 30 days of its receipt.

Article 126. Within 20 days of the receipt of the notice of approval for

extension of the period of operation, an equity joint venture shall submit an application for change of duration to the relevant registrar of business, the business licensor, the tax registration body and the customs office.

The application shall state the name and domicile of the company and the period of extension and so on, accompanied by a copy of the notice of approval of the extension.

Article 127. The business registrar, the business licensor and the taxation institution shall register the changes according to the application for change of duration and reissue the certificate of business registration, business license and the certificate of tax registration.

Article 128. An equity joint venture shall be dissolved in the following cases;

- 1) Duration expires,
- 2) Continued operation is deemed impossible due to defaults by the parties, or insolvency,
- 3) Continued operation is deemed impossible due to unavoidable reasons,
- 4) The board of directors decides the dissolution of the company,
- 5) A court declares the company bankrupt, and
- 6) The equity joint venture commits a serious violation of other relevant laws and regulations.

Article 129. In case of dissolution according to items 1- 4 of Article 128, an application for dissolution shall be submitted to the central trade guidance organ.

The application shall contain the reason for dissolution, accompanied by a certifying document.

Article 130. In case of dissolution due to defaults by a party, the party responsible for it shall compensate for the loss inflicted to the other party.

Article 131. The central trade guidance organ shall, within 10 days of the receipt of the application for dissolution, review it and send a notice of approval or disapproval to the applicant.

Article 132. An equity joint venture shall have the issue discussed by the board of directors and organize the liquidation committee within 15 days of the receipt of the notice of approval.

The liquidation committee shall include the managing director of the equity joint venture, a representative of the creditors, parties to the joint venture and other relevant persons.

Article 133. In case an equity joint venture fails to organize the liquidation committee within the designated time, the creditors may appeal to a court of the DPRK to ensure that the said committee be organized.

Article 134. In case the creditors require the formation of the liquidation committee or a court of the DPRK declares the company bankrupt, the court shall appoint a liquidator and organize the liquidation committee.

Article 135. The liquidation committee shall have the following duties

and powers:

- 1) To convene a meeting of creditors and elect a representative,
- 2) To take over and place under its custody the property and seal of the company,
- 3) To determine claims and debts and prepare the balance sheet and the list of property,
- 4) To reevaluate the property of the company and prepare a liquidation plan,
- 5) To inform relevant bank, the taxation institution and the business registrar of the dissolution of the company,
- 6) To take over and settle the transactions of the company that have not been settled,
- 7) To pay tax, clear all claims and debts, and dispose of the remaining property, and
- 8) To handle all other matters relating to liquidation.

Article 136. The liquidation committee shall, within 10 days of its organization, inform the creditors and debtors of the dissolution of the company.

Article 137. A creditor shall submit his claim to the liquidation committee within 30 days of the receipt of the dissolution notice.

The claim shall state the name of the creditor, the contents of and grounds for the claim and be accompanied by materials of evidence proving the claim.

Article 138. The liquidation committee shall register the claims in the order of their receipt and clear the liabilities in accordance with the liquidation plan. The liquidation plan shall be approved by the board of directors dissolving the company or the central trade guidance organ (or by a court in case of bankruptcy).

Article 139. The property of an equity joint venture to be liquidated shall be disposed of to meet the claims in the following order: cost of liquidation, taxes, wages for employees, and the debts of the company. The remaining property shall be distributed among the parties according to their shares of contribution.

Article 140. The liquidation committee (except for the liquidation committee organized by a court) shall appeal to relevant court to declare the company bankrupt in case the amount of property of the company is less than the amount of its debt.

If bankruptcy has been declared by a court, the liquidation committee shall hand over its liquidation work to the court.

Article 141. The liquidation committee shall submit the liquidation report to the central trade guidance organ (in case of bankruptcy, to the court) within 10 days after the end of liquidation.

Article 142. Upon completing liquidation, the liquidation committee shall surrender the certificate of business registration, the business licence, and

the certificate of tax registration to the relevant institutions, and submit to the bank an application for cancellation of the company's account.

Article 143. Members of the liquidation committee are accountable to the board of directors, to the central trade guidance organ or to the court, which have organized the liquidation committee, for the result of liquidation.

Article 144. The business registrar and other relevant institutions shall erase the registration of the dissolved company.

Chapter 9. Supervision and Settlement of Disputes

Article 145. Any one who has a complaint concerning an equity joint venture may lodge a petition.

The case shall be reviewed and settled within 30 days of its receipt.

Article 146. Any disagreement concerning an equity joint venture shall be settled through consultation.

A case that can not be settled through consultation shall be handed over to a court or an arbitration body of the DPRK for settlement.

If agreed by all parties, the case may be brought to an arbitration body of a third country for settlement.

Article 147. The central trade guidance organ (the Zone Administration in the Zone) shall supervise the observance of the laws and regulations concerning joint ventures on a regular basis. The taxation institution may, if necessary, inspect the financial statements of an equity joint venture.

Article 148. If these regulations are violated, such sanctions as discontinuation of business, confiscation and fining shall be imposed according to the degree of violation, and the criminal law may be invoked in case of a severe breach.

THE LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON CONTRACTUAL JOINT VENTURE

Adopted by Resolution No.18 of the Standing Committee of the Supreme People's Assembly on October 5, 1992, and amended by Decree No. 484 of the Presidium of the Supreme People's Assembly on February 26, 1999

Article 1. The Law of the Democratic People's Republic of Korea on Contractual Joint Venture shall contribute to expanding and developing economic cooperation and technical exchange between the DPRK and other countries.

Article 2. A contractual joint venture is a form of business in which investors from the DPRK and from a foreign country invest jointly, production and management is carried on by the DPRK partner, and the investment of the foreign investor is redeemed or the share of the profits is distributed to the foreign investor in accordance with the provisions of the contract.

Article 3. Contractual joint ventures shall be established primarily in sectors producing exportable goods and goods made by using advanced technology, and may be established also in tourism and the service sectors.

Article 4. The State shall encourage foreign investors to bring in state-of-the-art equipment and technology or to invest in sectors producing internationally competitive goods.

Article 5. Investments in the form of a contractual joint venture shall be made in principle in the Rason economic and trade zone. In case of need, it may be set up in other parts of the DPRK.

Article 6. The State shall grant preferential treatments such as reduction or exemption from tax and favourable conditions for land use to contractual joint-venture enterprises in priority projects or those to which an overseas Korean compatriot is a party or those established within a specified area of the DPRK.

Article 7. Institutions, enterprises or organizations of the DPRK wishing to run a contractual joint venture shall, after consultation with the relevant bodies and the conclusion of the joint-venture contract with foreign investors, submit to the central trade guidance organ an application for the establishment of a contractual joint-venture enterprise, accompanied with the memorandum of association, a copy of the contract, a feasibility study report and so on.

The central trade guidance organ shall approve or reject the application within 50 days from the day of its submission.

Article 8. The registration of a contractual joint-venture enterprise shall be made at the People's Committee either of the province (or municipality directly under central authority) where the enterprise is to be located or of Rason City within 30 days from the day when the approval is given for its

establishment.

The date of its registration shall be the inauguration day of the contractual joint-venture enterprise.

The contractual joint-venture enterprise shall, within 20 days after its registration, register itself for tax purpose at the relevant financial institution.

Article 9. A contractual joint-venture enterprise shall obtain a business license before conducting its business activities.

The central trade guidance organ or the Peoples Committee of Rason City shall license the business activities of a contractual joint-venture enterprise and issue its business license.

If a contractual joint-venture enterprise wishes to increase or change the categories of its business, it shall obtain an approval from the relevant institution which has approved its establishment.

Article 10. A joint-venture partner may transfer or transmit its share of contribution to a third party with the approval of the relevant institution which has approved its establishment after reaching an agreement with the other partner.

Article 11. A contractual joint-venture enterprise shall employ labour from the DPRK.

Some management personnel, technicians and skilled workers for special jobs who have been listed in the contract may be employed from foreign countries. In such a case, the contractual joint-venture enterprise shall reach an agreement with the central trade guidance organ.

Article 12. A joint-venture enterprise shall be allowed to import materials for use in production and management and to export goods it produces.

Article 13. The repayment of the investment or the distribution of profit to the foreign investor shall be made primarily with goods produced by the joint-venture enterprise, and may be made also in such other ways as are agreed between the two partners.

Article 14. If it is provided for in the joint-venture contract, goods produced and revenues earned by the joint-venture enterprise may be used first for repayment of the invested capital or distribution of profit.

Article 15. Any legal profit and other incomes earned by the foreign investor from the contractual joint venture may be remitted abroad, subject to the laws and regulations of the DPRK on foreign exchange control.

Article 16. The partners to a joint venture shall be allowed to organize a non-permanent body for joint consultation.

The body shall examine important matters concerning the operation of the venture, such as introduction of new technology, improvement of product quality and reinvestment.

Article 17. A joint-venture enterprise shall undertake settlement of accounts on a monthly, quarterly, and yearly basis.

The joint-venture enterprise shall submit its financial statements to the

relevant body and undergo supervision by the financial body in a specified manner.

Article 18. When the profit is distributed under the contract, a contractual joint-venture enterprise shall be required to pay tax as stipulated in the laws of the DPRK.

Article 19. In cases where either of the joint-venture partners fails to fulfil its duties as stipulated in the contract, making it impossible to operate the joint-venture enterprise, the enterprise may, after the mutual consent, be wound up with the approval of the organ that has approved the establishment of the contractual joint-venture enterprise. Any resultant losses shall be sustained by the partner that failed in its duties.

Article 20. A joint venture shall be terminated when the period of contract expires.

When the contract term expires or the business is wound up before the expiration of the contract, the enterprise shall settle its debts and credit accounts and go through the formalities for canceling its registration according to the relevant laws and regulations.

In cases where they wish to continue to run the contractual joint venture even after the expiry of the period of contract, the partners shall obtain an approval of the organ that has approved its establishment not later than 6 months before the expiration of the term of the contract.

Article 21. Any disagreements concerning the joint venture shall be settled through mutual consultation.

If it is impossible to solve disputes after consultation, they shall be settled by arbitration or legal procedures prescribed by the DPRK.

REGULATIONS FOR THE IMPLEMENTATION OF THE LAW ON CONTRACTUAL JOINT VENTURE

Adopted by Decision No.18 of the Cabinet on March 11, 2000

Chapter 1. General

Article 1. These regulations are formulated for correct implementation of the Law of the DPRK on Contractual Joint Venture.

Article 2. Institutions, enterprises or entities of the DPRK (hereinafter called the investor of the DPRK) are allowed to operate contractual joint ventures with corporate bodies and individuals of foreign countries and overseas Korean compatriots (hereinafter called the foreign investor).

A contractual joint venture shall, in principle, be incorporated in the Rason economic and trade zone (hereinafter called the Zone).

If necessary, it may be incorporated in the territory of the DPRK outside the Zone.

Article 3. A contractual joint venture is a form of business whereby the investor of the DPRK and the foreign investor jointly invest in and incorporate the company, and the investor of the DPRK is responsible for production and management, and the share of contribution by the foreign investor is repaid or the profit is distributed according to the terms of contract.

Article 4. A contractual joint venture shall, in principle, be operated in the sectors that produce export goods and goods made by using advanced technology.

Article 5. A contractual joint venture shall be encouraged to be set up in such fields as those that introduce state-of-the-art technologies including high technology, produce internationally competitive goods, scientific research and technological development, exploitation of underground natural resources and infrastructure construction.

Article 6. Contractual joint ventures in priority projects, those with the overseas Korean compatriots with the DPRK citizenship, or which are incorporated in a special economic zone like the Zone may be eligible for such privileges as exemption from or reduction of tax, favourable terms of land use and so on, as provided for in the relevant laws and regulations of the DPRK.

Article 7. Contractual joint ventures that are detrimental to national security and interests of the State and society and designated otherwise by the State shall be prohibited, and such projects as those which exceed the standard of environmental protection, those whose equipment and production process are economically and technologically outdated, those which export natural resources of the DPRK without processing and those whose economic efficiency is low shall be restricted.

Article 8. A contractual joint-venture enterprise shall retain ownership over the property contributed by the investors and increased through operation

of the business and shall be independent in its management.

Article 9. A contractual joint-venture enterprise shall be liable for its debts within the limit of the property it owns.

Article 10. The property of a contractual joint-venture enterprise shall neither be nationalized nor confiscated, and legal rights and interests of the contractual joint-venture enterprise and the parties to the joint venture shall be protected by the law of the State.

Labour and property of a contractual joint-venture enterprise shall not be mobilized for other purposes, except for unavoidable circumstances.

A contractual joint-venture enterprise and the parties to the joint venture are obliged to respect and abide by the laws and regulations of the DPRK.

Article 11. The Ministry of Foreign Trade (hereinafter called the central trade guidance organ) shall monitor and guide the activities related to contractual joint venture in a unified way.

Article 12. Documents of contractual joint venture shall be made in Korean.

A translation may be attached to them as may be requested by the foreign investor.

Article 13. A contractual joint venture in the territory of the DPRK shall be incorporated and operated according to these regulations.

Matters not provided for in these regulations shall be subject to the relevant laws and regulations of the DPRK.

Chapter 2. Incorporation of a Contractual Joint Venture

Article 14. A contractual joint venture may be incorporated provided that it employs advanced technology, updates equipment to improve the quality of products to the international standard, produces internationally competitive export goods, economizes on fuel, raw and other materials and power, or makes an effective use of the existing production capacity.

Article 15. The investor of the DPRK intending to establish a contractual joint venture shall draft the joint venture contract and feasibility study report to consult with the relevant institutions and finalize with the foreign investor the joint venture contract, the memorandum of association and the feasibility study report.

Article 16. A joint-venture contract shall include:

1. Name and domicile of the enterprise,
2. Names and addresses of the parties to the contract,
3. Purpose of incorporation, categories of business and duration of the enterprise,
4. Total amount of investment, registered capital, shares and amount of contributions and transfer of the shares of contribution,
5. Rights and obligations of the contracting parties,
6. Management structure and labour management,

7. Technology transfer,
8. Formation and use of reserves, settlement of accounts and distribution,
9. Repayment of contribution or distribution of profits,
10. Liability to exemption from defaults and settlement of disputes,
11. Amendment, supplement and cancellation of the contract, effect of insurance and contract,
12. Dissolution and liquidation, and
13. Other necessary provisions.

Article 17. The memorandum of association shall contain:

1. Name and domicile of the enterprise,
2. Names and addresses of the investors,
3. Purpose of incorporation, categories of business, scope and scale of operation and its duration,
4. Total amount of investment, stages and periods of investment, registered capital, shares and amounts of contribution, specification of contribution, period of calls and transfer of the shares of contribution,
5. Formation, duties and proceedings of the joint consultative body,
6. Management structure of the enterprise staff and their duties, head of the enterprise, number of employees and their composition,
7. Planning and organization of production (business included), marketing of products, and purchasing of equipment, raw and other materials,
8. Bookkeeping and labour management,
9. Settlement of accounts, repayment of contributions or distribution of profit, formation and use of funds,
10. Dissolution and liquidation,
11. Amendment and supplement to memorandum, and
12. Other necessary provisions.

Article 18. The feasibility study report shall include specification of investment, information on construction, production and disposition of products, the amounts of labour, raw and other materials, finance, power and water required and the ways of their provision, information on phased profitability, technological analysis, environmental protection, labour safety and hygiene and other necessary data.

Article 19. The investor of the DPRK shall send an application for the incorporation of a contractual joint venture to the relevant bodies for approval.

Consultation shall be held:

1. With the State planning institution over the total amount of investment, investment in kind, production and disposition of products, requirement and availability of labour, funds, materials, fuel, power, water, gas and steam and data on phased profitability,
2. With the central financial institution over the total amount of investment, amounts and contents of contribution by each party and its supply, repayment of shares of contribution and distribution of profit,
3. With the central science institution over technical analysis of

investment in kind and technology and technology transfer, and

4. With other relevant institutions over the data concerned.

Article 20. The relevant institutions shall review and send back the application with their recommendations to the client within 15 days from its receipt.

The central trade guidance organ may receive the said agreement directly from the institutions concerned.

Article 21. The central trade guidance organ shall be responsible for the screening and approval of the incorporation of a contractual joint-venture enterprise.

Article 22. The investor of the DPRK shall, upon the conclusion of the joint-venture contract with the foreign investor, file to the central trade guidance organ an application for the incorporation of the contractual joint venture.

When incorporating a contractual joint-venture enterprise in the Zone, the investor of the DPRK, upon accepting the view of the Rason City People's Committee (hereinafter called the Zone Administration), shall file to the central trade guidance organ an application for the incorporation of the contractual joint venture.

Article 23. The application shall include the following:

1. Name and domicile of the enterprise,
2. Names and addresses of the parties to the joint venture,
3. Purpose of incorporation and its profitability,
4. Total amount of investment, phases and periods of investment, registered capital, shares and amounts of contribution, period of calls,
5. Date of contract, duration and planned inaugural date,
6. Categories of business and scope of operation,
7. Bank for opening an account,
8. Production capacity and proportion of export of products,
9. Site area and location,
10. Estimated annual profit, repayment of shares of contribution or distribution of profit,
11. Number of management staff and employees, and
12. Other necessary information.

The joint-venture contract, memorandum of association, feasibility study report, agreements with the institution concerned, and the credit information issued by the bank with which the parties to the joint venture keep accounts shall be appended to the application for the incorporation of a contractual joint venture.

Article 24. The Zone Administration shall examine an application for the incorporation of a contractual joint venture of the investor of the DPRK within the Zone and send it with its recommendations to the central trade guidance organ within 10 days of the receipt of the said application.

Article 25. The central trade guidance organ shall, within 50 days of

receipt of an application for the incorporation of a contractual joint-venture enterprise, review and decide whether to approve or reject it and issue to the applicant the letter of approval of the incorporation of the enterprise or the letter of reject.

The letter of approval of the incorporation of the enterprise shall specify the name and domicile of the contractual joint-venture enterprise, the names of the parties, the total amount of investment, registered capital, amount and share of contribution by each of the parties, period of calls, duration of the enterprise, expected date of inauguration, categories of business, scope of operation, bank for opening an account, management structure and the number of employees, method of operation and other necessary details.

The letter of reject shall include the reason of reject and advices.

Article 26. Upon the approval of the incorporation of the contractual joint-venture enterprise, the parties shall have an official seal carved and register the enterprise in the name indicated in the letter of approval and open an account in the relevant bank, pursuant to the relevant laws and regulations.

Article 27. The investor of the DPRK shall, within 30 days of the receipt of the letter of approval of the incorporation of the enterprise, register the enterprise with the provincial people's committee concerned (the Zone Administration in the Zone) by submitting an application for registration of the enterprise and have its certificate of business registration issued.

The date of the enterprise's registration shall be the date of incorporation of the contractual joint-venture enterprise, and it shall become a corporate body of the DPRK on this date.

Article 28. A contractual joint-venture enterprise shall, within 20 days after the registration of the enterprise, make tax registration with the relevant taxation institution by submitting an application and have a certificate of tax registration issued.

Article 29. A contractual joint-venture enterprise shall file an application for customs registration to the relevant customs office and make customs registration within 20 days after the registration of the enterprise.

Article 30. The management staff of a contractual joint-venture enterprise shall not hold any other posts in other institutions or enterprises.

If necessary, a member of other institutions or enterprises may be a member of the management staff of a contractual joint-venture enterprise with the approval of the central trade guidance organ.

Article 31. A contractual joint-venture enterprise may have an auditor.

The auditor shall audit the financial documents of the enterprise and prepare a report to submit to the head of the enterprise.

Article 32. A contractual joint-venture enterprise may form and operate a non-permanent joint consultative board.

The board shall be composed of the chairman, one vice-chairman and such number of other members as is determined by the parties to the joint venture through consultation.

The board shall include the parties to the joint venture and the head of the enterprise.

Either of the parties to the joint venture shall not hold the offices of the chairman and vice-chairman at the same time.

Article 33. The joint consultative board shall meet whenever the parties think it necessary and agree to meet.

The head of the enterprise shall notify the members of the board of the date, venue and agenda of the meeting 30 days before the date of the meeting.

Article 34. The joint consultative board shall discuss and decide important matters arising in operating the enterprise, including increase in registered capital, change in the categories of business, extension of the duration of the enterprise, corporate strategy and measures, annual operation plans, introduction of new technology, improvement of product quality, investment and reinvestment, and transfer of shares of contribution.

Article 35. The parties to the joint venture shall correctly implement the issues discussed and decided by the board.

Chapter 3. Contribution

Article 36. Parties to the joint venture shall invest as specified in the joint-venture contract approved by the central trade guidance organ.

Article 37. Shares of contribution to the contractual joint venture may be determined by the parties to the joint venture through consultation, provided that the foreign investor contribute more than 30 per cent of registered capital.

Article 38. Parties to the joint venture may contribute cash, property in kind, industrial property right, technical know-how (hereinafter, industrial property right and technical know-how are called technology), copyright and so on.

Article 39. Any property in kind to be contributed by the foreign investor must be one which is duly owned by him and which is essential and indispensable to the operation of the contractual joint venture and is not available in the territory of the DPRK or, though available, is in short supply.

Article 40. Technology and copyright shall not be contributed unless they meet the following requirements:

1. Production of new varieties of products or export goods, or improvement of performance of the existing production equipment and machinery, product quality and productivity,

2. Sizeable economy of raw and other materials, labour, fuel and power and efficient utilization of natural resources of the DPRK, and

3. Labour safety and environmental protection.

Article 41. Where a property in kind is to be contributed, a description of the property shall be made available containing the name, dimension, unit, quantity, use and price of the property in kind, name of the manufacturer or the company, the country from which it is imported, other necessary details, as

well as a bill and a quality pass.

Article 42. In case of contribution of technology or copyright, there shall be made available a statement specifying the title of the technology or copyright, name of the owner, practical value, period of validity (except for technical know-how) as well as technical data such as technical references, blueprints, operation manuals, the basis of valuation and the like.

Article 43. Contribution shall be deemed to have been duly made in the following cases:

1. Money has been transferred to the account of the joint venture in the bank,

2. Procedures have been completed to transfer the ownership or the right of use of immovable property to the enterprise and the property in question has been recorded in the registrar,

3. Property in kind other than immovable property has been physically moved to the premises of the enterprise after completing the procedures to transfer its ownership or the right of use,

4. The certificate of ownership of an industrial property right or copyright has been transferred to the enterprise through due procedures, or

5. In case of technical know-how, conditions for the transfer of technology specified in the contract have been satisfied.

Article 44. Property in kind, technology and copyright shall be priced by the parties to the joint venture through consultation on the basis of the international market price concerned.

Article 45. Where the property contributed is priced less than the amount of obligatory contribution provided for in the joint-venture contract or the memorandum of association at the time of contribution, the investor in question shall be obliged to fill the gap through an additional contribution.

Article 46. The price of the property contributed shall be expressed in Korean *won*.

Where foreign currency is contributed, it shall be expressed in Korean *won* according to the exchange rate quoted by the Foreign Trade Bank of the DPRK on the day of its transfer to the relevant bank.

Article 47. Parties to the contractual joint venture shall make their contributions within the period specified in the letter of approval of incorporation of the enterprise.

Article 48. Where, for an unavoidable reason, a party is not able to contribute his share within a specified time, he shall obtain approval for the extension of period of contribution by submitting an application to that effect to the central trade guidance organ one month before the expiry of the specified period of contribution.

The application shall include the name and address of the applicant, amount of contribution, period of calls, period to be extended and the reason for extension.

The period of contribution may be extended on several occasions, but

not for longer than 12 months in all.

Article 49. Where contribution fails to be completed within a specified time without good reason by the parties to the contractual joint venture, the central trade guidance organ may cancel the approval of incorporation of the joint venture.

In this case, the central trade guidance organ shall notify it to the business registrar, taxation institution and other institutions concerned.

Article 50. In case a party to the contractual joint venture inflicts a loss upon the other party through failure to contribute within the specified time, the former shall compensate the latter for the loss.

Article 51. When parties to the contractual joint venture have completed phased contributions, the enterprise shall submit to the central trade guidance organ a document certifying the contributions, verified by the institutions concerned, and issue a certificate of contribution to each contributor.

The certificate of contribution shall contain the name of the contributor, amount and share of contribution, duration, date and number of registration of the joint venture and so on.

Article 52. A party to the contractual joint venture may transfer (sell or donate) or transmit part or whole of his share of contribution to a third party.

Where his share of contribution is to be transferred, he shall obtain consent from the other party and permission from the central trade guidance organ.

In case of sale, the other party to the joint venture shall have a prior lien on the said part of share on terms no less favourable than those offered to others.

Article 53. The total amount of investment of a contractual joint-venture enterprise shall be the total amount of capital needed for incorporation and operation of the enterprise.

The registered capital, which is the capital of the enterprise registered in the central trade guidance organ, shall be the total amount of contributions made by the parties to the joint venture.

The gap between the total amount of investment and the registered capital may be filled through loan.

Article 54. Registered capital may be increased but not be decreased.

Where registered capital is to be increased, the parties to the joint venture shall discuss and decide on the increase in the joint consultative board and, thereafter, obtain approval from the central trade guidance organ.

Article 55. Where the period of calls is extended, or a share of contribution is transferred or transmitted, or the amount of registered capital is changed, the enterprise shall register with the institution concerned the extension, transfer/transmission or the change as the case may be, within 20 days.

Chapter 4. Business Licence and Operation

Article 56. A contractual joint venture enterprise shall obtain business licence in order to undertake business activities.

Article 57. Business licence shall be issued by the central trade guidance organ or the Zone Administration (hereinafter called the business licensor).

Article 58. Business licence shall be obtained within the expected date of inauguration specified in the letter of approval of incorporation of the enterprise.

If the business is not able to obtain the licence within the prescribed period of time, it shall obtain approval from the central trade guidance organ for the extension of the inaugural date of filing an application to that effect.

The inaugural date of a contractual joint-venture enterprise may be extended on several occasions but not for longer than 12 months in all.

Article 59. The following conditions shall be satisfied in order for a business licence to be issued:

1. In case a building is newly built or improved or expanded, it must pass the completion inspection,
2. In case of a manufacturing plant, it must produce specimen products after the test run,
3. In case the enterprise is in the service sector, it must be ready for operation by purchasing all necessary equipment, facilities and other goods.
4. Contributions must be completed as specified in the letter of approval of incorporation of the enterprise, and
5. Other necessary preparations must be made to run the business.

Article 60. A contractual joint-venture enterprise shall, upon completion of arrangements to start operation, send written requests for inspection or confirmation to the project completion inspection institution and the other relevant institutions.

The institution so requested shall inspect or confirm the subjects of request within a specified time and, if any defect is found, have it corrected and, thereafter, issue relevant certificates of inspection or confirmation.

Article 61. An enterprise intending to obtain a business licence shall file an application to that effect to the business licensor.

The application shall specify the name and domicile of the enterprise, expected inaugural date, total amount of investment, registered capital, investment actually made, categories of business and so on and be accompanied by certificate of the enterprise registration and documents issued by relevant institutions such as certificate of investment, certificate of completion inspection, documents certifying the safety of production process and facilities, evaluation of environmental implications, certificate of the enterprise's registration, specimen products and so on.

Article 62. The business licensor shall, within 15 days from receipt of

the application, review the application and either issue a licence or reject it.

Upon receiving the business licence, the contractual joint-venture enterprise shall inform it to the relevant taxation institution.

The date of issue of the business licence, shall be the date of inauguration of the contractual joint-venture enterprise.

Article 63. A contractual joint-venture enterprise shall conduct business activities within the limits of the categories of business permitted.

In case the enterprise wishes to expand or change the categories of business, it shall file an application to the central trade guidance organ to seek its consent.

The application shall contain the name and domicile of the enterprise, content of and reason for change, and be accompanied by a feasibility study report and the agreement between the parties to the joint venture.

Article 64. Within 20 days from receipt of an application for change of the categories of business, the central trade guidance organ shall review it and either issue the letter of approval or the letter of rejection to the applicant and other relevant institutions.

Article 65. Within 5 days after the notification of the approval of change of the categories of business, the contractual joint-venture enterprise shall have a new business licence issued.

Article 66. A contractual joint-venture enterprise shall register its plan with the central trade guidance organ (or the Zone Administration in the Zone) and carry it through.

Article 67. When procuring labour, materials, technology, equipment, power, water and the like necessary for production and operation from relevant institutions and enterprises of the DPRK, or selling its products to them, a contractual joint-venture enterprise shall include its plan in the plan of the central trade guidance organ (or the Zone Administration in the Zone) and purchase or sell according to the procedures defined by the central trade guidance organ (or the Zone Administration in the Zone).

Article 68. Institutions and enterprises of the DPRK shall, on a priority basis, supply the planned labour, materials, power, water and the like to a contractual joint-venture enterprise.

Article 69. A contractual joint-venture enterprise may either import materials for investment, production and operation, technology and copyright or export its products and technology.

In case of either importing or exporting materials for investment and materials required for production and operation, it shall obtain approval by submitting an application for import or export to the central trade guidance organ (or the Zone Administration in the Zone), or in case of importing or exporting technology and copyright, to the relevant central institution (or the Zone Administration in the Zone).

Article 70. The central trade guidance organ shall review an application for import or export of goods and issue a written approval or send a notice of

rejection to the applicant within 3 days (on the day in the Zone) of receipt of the application. The central institution concerned shall review an application for import or export of technology and copyright and issue a written approval or send a notice of rejection to the applicant within 30 days (within 7 days in the Zone) of receipt of the application.

Article 71. In case of importing materials for investment, production and operation or exporting the products a contractual joint-venture enterprise shall do it duty-free.

Article 72. Import or export price of materials necessary for production of a contractual joint venture enterprise, its products and technology shall be determined by the parties to the joint venture through consultation on the basis of the then international market price.

Article 73. A contractual joint-venture enterprise may purchase materials required for its operation directly from a commercial agency of the DPRK.

Article 74. A contractual joint-venture enterprise may entrust the processing of its materials to institutions or enterprises of the DPRK. In this case, a contract shall be concluded.

Article 75. A contractual joint-venture enterprise may undertake construction on its own account or subcontract it to a construction enterprise of the DPRK.

If necessary, the enterprise may subcontract it to a foreign construction enterprise with an approval of the State construction supervision institution.

Article 76. Where a contractual joint venture enterprise receives goods which are brought in as a contribution by the foreign party, the enterprise shall have them inspected or certified by the foreign goods inspection institution (in case of technology, by the science institution). The enterprise shall provide necessary conditions for such inspection or certification.

Article 77. The foreign goods inspection institution or the science institution shall, upon request for inspection or certification, inspect or certify the subjects of request and issue a relevant certificate.

Article 78. A contractual joint-venture enterprise shall employ the labour of the DPRK.

Labour remuneration shall be granted to the employees of joint venture pursuant to the labour laws and regulations of the DPRK relating to foreign-invested business.

Article 79. A contractual joint-venture enterprise may employ foreign technicians and skilled workers for special jobs defined in the contract. In this case, it shall submit an application for employment of foreign nationals to the central trade guidance organ and obtain approval therefrom.

The application shall include the name, sex, date of birth, citizenship, nationality, curriculum vitae of the technician or skilled worker to be employed, reason and period of his employment, his address, content and period of technology transfer, salary and provisions of living conditions.

Article 80. A contractual joint-venture enterprise shall set by itself the standards for supply of labour protection goods for its employees such as labour protection instrument, items necessary for work, and nutritional foods not lower than those stipulated in the laws and regulations of the DPRK concerning labour and supply them in good time.

Article 81. A contractual joint-enterprise shall conduct its accounting according to the accounting regulations of the DPRK for foreign-invested enterprises.

Article 82. A contractual joint-venture enterprise shall conduct its accounting in Korean *won*.

Result of accounting expressed in Korean *won* may be converted into the equivalent amount in foreign currency before being entered in book of accounting in case the foreign party to the joint venture requires. The conversion of Korean *won* into foreign currency shall be done at the then exchange rate set by the Foreign Trade Bank of the DPRK.

Article 83. A contractual joint-venture enterprise shall register its fixed assets with the central trade guidance organ or the Zone Administration (hereinafter called the registrar of the fixed assets) within one month of their acquisition.

Article 84. A contractual joint-venture enterprise may scrap, transfer or mortgage the registered fixed assets. In this case, the enterprise shall file a relevant application within 5 days after the issue has been discussed and decided by the joint consultative board or agreed by the parties to the joint venture to the registrar of the fixed assets to get approval.

The application shall state the reason and price of disposal of fixed assets and so on.

Article 85. A contractual joint-venture enterprise shall put aside the fund of fixed assets depreciation and use it for replacing or repairing its fixed assets.

The fund may be used as circulating capital. The amount of fund so spent shall be made up for within the next quarter.

Article 86. A contractual joint-venture enterprise shall make inventory of its fixed assets more than once annually.

The result of the inventory shall be reported to the registrar of the fixed assets.

Article 87. A contractual joint-venture enterprise shall deposit and use foreign currency according to the laws and regulations of the DPRK relating to foreign currency control.

Article 88. Korean *won* invested to a contractual joint-venture enterprise as contribution or earned from the sale of its products to the institutions and enterprise of the DPRK according to the procedure set by the central trade guidance organ may be used for the purchase of raw and other materials or for the payment of costs of labour, PR activities and charges within the territory of the DPRK.

Article 89. A contractual joint-venture enterprise (except those in the Zone) shall put separately the Korean *won* earned from disposal of by-products to its account in the bank and use it only for designated purposes.

Article 90. A contractual joint-venture enterprise shall open its accounts of Korean *won* and foreign currency required for production and operation in a foreign exchange bank of the DPRK and use them.

Article 91. A contractual joint-venture enterprise shall keep its books of account according to the relevant bookkeeping laws and regulations of the DPRK.

Article 92. A contractual joint-venture enterprise shall take out insurance policy from an insurance company in the territory of the DPRK.

Chapter 5. Settlement of Accounts, Repayment and Distribution

Article 93. The financial year of a contractual joint-venture enterprise shall be from January 1 to December 31 of each calendar year.

For the year in which the enterprise is incorporated, the financial year shall be from the date of incorporation to December 31 of the same year, and for the year in which the enterprise is dissolved, the financial year shall be from January 1 to the date of dissolution.

Article 94. A contractual joint-venture enterprise shall make financial settlement of its operation on quarterly and yearly bases.

It shall make annual financial settlement to determine the annual settled profit by deducting the cost, turnover tax and other expenses from the gross revenue.

Article 95. A contractual joint-venture enterprise shall create a reserve fund by saving 5per cent of the annual settled profit until the amount of the fund reaches 25per cent of its registered capital.

The reserve fund shall be used only for making up for losses incurred by the enterprise or for increasing its registered capital.

Article 96. A contractual joint-venture enterprise shall create a fund for production expansion and technology development, bonus fund, welfare fund and training fund for its employees and other necessary funds within the limit of 10per cent of the annual settled profit and use them at its discretion.

Article 97. A contractual joint venture enterprise shall pay taxes according to the laws and regulations of the DPRK relating to taxation of foreign investment business enterprises and foreign individuals.

Article 98. Repayment of share of contribution made by the foreign party and distribution of profit shall be made in principle through delivery of products of the enterprise or alternatively in such other manner as the contract provides for.

Article 99. Where a contractual joint-venture enterprise agrees to repay share of contribution made by the foreign party, it shall do so according to the

provisions of the contract.

Article 100. Where share of contribution is repaid or profit is distributed by delivering products of the enterprise, their prices shall be determined by the parties through consultation on the basis of the current international market prices.

Article 101. The quarterly and annual financial document of a contractual joint-venture enterprise shall be checked up by an auditor.

Article 102. A contractual joint-venture enterprise shall submit to the central financial organ and the central trade guidance organ (or the Zone Administration in the Zone) the quarterly financial report within 15 days after the end of the quarter and the annual financial report by the end of February the next year.

The financial report shall be accompanied by a written attestation made by a certified public accountant.

Article 103. The parties to a joint-venture may reinvest their profits to their enterprise.

Article 104. The foreign party to a contractual joint-venture may remit out of the territory of the DPRK without having to pay any tax goods and money which have been delivered or paid to him to repay his share of contribution or as his share of profit as well as the other legal incomes earned by him.

In case of remitting foreign currency outside the territory of the DPRK, the party shall file an application to the relevant bank.

The application shall contain necessary details and be accompanied by the certificate of the central trade guidance organ.

Chapter 6. Duration and Dissolution

Article 105. Duration of a contractual joint-venture shall be pursuant to the provisions contained in the letter of approval of its incorporation.

The duration shall be calculated from the day on which the enterprise is registered.

Article 106. Duration of a contractual joint-venture may be extended by the parties through consultation. In this case, approval shall be obtained by filing an application for extension of duration to the central trade guidance organ 6 months before the expiry of the original duration through discussion and decision of the joint consultative board or consultation of the parties to the joint-venture.

The application shall include the name and domicile of the enterprise, period of and reason for extension and be accompanied by the decision or agreement of the joint consultative board or agreement of the parties and a feasibility study report.

Article 107. The central foreign trade guidance organ shall review an application for extension of duration of a contractual joint-venture, decide

whether to approve or reject it within 30 days from receipt of the application and notify the applicant of its decision.

Article 108. A contractual joint-venture enterprise shall, within 20 days from the day on which it is notified of the approval for extension of its duration, file an application for registration of change of duration to the relevant business registrar, business licensor and taxation institution.

The application shall state the name and domicile of the enterprise, period of extension and so on and be accompanied by a copy of the written approval for extension of duration.

Article 109. The business registrar, business licensor and taxation institution shall register the change as applied for and issue new certificates of business registration, business licence and tax registration.

Article 110. A contractual joint-venture enterprise shall be dissolved upon the expiry of its duration.

Article 111. A contractual joint-venture enterprise may be dissolved even before the expiry of duration in any of the following cases:

1. If the enterprise is not able to continue its operation due to default by either of the parties or insolvency,
2. If the parties to the joint venture are not able to continue business due to unavoidable case,
3. If the enterprise is decided to be dissolved through discussion of the joint consultative board or consultation of the parties to the joint venture,
4. If the enterprise goes bankrupt, and
5. If the enterprise severely violates the laws and regulations relating to contractual joint venture.

Article 112. In case of dissolution according to items 1-3, the enterprise shall file an application for dissolution to the central trade guidance organ.

The application shall specify the name of the enterprise and the reason for dissolution and be accompanied by a document certifying it.

Article 113. The central foreign trade guidance organ, within 20 days from receipt of an application for dissolution, shall review the application and decide whether to approve or reject it and notify the applicant of the decision.

Article 114. A contractual joint-venture enterprise shall, within 15 days from the day on which its dissolution is approved, discuss and organize the liquidation committee at a meeting of the joint consultative board.

The liquidation committee shall include the head of the enterprise, the representatives of the creditors, parties to the joint venture and other necessary persons.

Article 115. In case a contractual joint-venture enterprise fails to organize the liquidation committee within the fixed period, a creditor may require a court of the DPRK organization of the liquidation committee.

Article 116. When a creditor requires formation of the liquidation committee or when a contractual joint-venture enterprise declares its bankruptcy, the court shall appoint a liquidator and organize the liquidation

committee.

Article 117. The liquidation committee shall have the following duties and powers:

1. To convene a meeting of creditors and elect their representative,
2. To take over and place under its custody the property and seal of the enterprise,
3. To determine claims and debts and prepare the balance sheet and the list of property,
4. To reevaluate the assets of the enterprise,
5. To take over and settle the transactions which have not been settled,
6. To prepare a liquidation plan,
7. To notify the bank, business registrar and taxation institution of the dissolution,
8. To pay taxes, clear all claims and debts and dispose of the remaining property, and
9. To handle all other matters relating to liquidation.

Article 118. The liquidation committee shall, within 10 days from its organization, notify the creditors and debtors of the liquidation.

Article 119. A creditor shall submit his claim to the liquidation committee within 30 days from the day on which he is notified of the liquidation.

The claim shall state the name of the creditor, the content of and grounds for the claim and be accompanied by materials of evidence proving the claim.

Article 120. The liquidation committee shall register the claims in the order of their receipt and clear the liabilities according to the liquidation plan.

The liquidation plan shall be approved by the joint consultative board which dissolved the enterprise or the central trade guidance organ (or the court when the enterprise has declared its bankruptcy).

Article 121. The property of a contractual joint-venture enterprise to be liquidated shall be disposed of to meet the claims in the following order: liquidation expenses, taxes, labour remuneration for the employees, and the debts of the enterprise. The remaining property shall be disposed of in accordance with the joint-venture contract.

Article 122. In case the liquidation committee (except the liquidation committee formed by the court) finds out that the amount of assets of the enterprise to be liquidated is less than the amount of its liabilities, it shall file an application to the court to declare the enterprise bankrupt.

If the enterprise is declared bankrupt by the court, the liquidation committee shall hand over its liquidation work to the court.

Article 123. The liquidation committee shall prepare a liquidation report and submit it to the central trade guidance organ (in case of liquidation by bankruptcy of the enterprise, to the court) within 10 days after the

completion of liquidation.

Article 124. Upon completion of liquidation, the liquidation committee shall surrender to the relevant institutions the certificate of business registration, business licence and certificate of tax registration, and submit an application to the bank for cancellation of the enterprise's account.

Article 125. The business registrar and the relevant institutions shall erase the registration of the dissolved enterprise.

Article 126. Members of the liquidation committee are answerable for the result of liquidation to the central trade guidance organ or the relevant court.

Chapter 7. Settlement of Disputes and Supervision

Article 127. Where a party to a contractual joint venture is aggrieved in connection with the joint venture, he may lodge a complaint.

The case shall be reviewed and settled within 30 days of its receipt.

Article 128. Any disagreement with regard to a contractual joint venture shall be settled through consultation.

A dispute which cannot be settled through consultation shall be brought to a court or an arbitration institution of the DPRK for settlement.

A dispute may be brought to an arbitration institution of a third country through consultation of the parties to the joint venture.

Article 129. The central trade guidance organ (or the Zone Administration in the Zone) shall supervise the observance of the laws and regulations concerning contractual joint ventures on a regular basis.

The taxation institution may, if necessary, inspect the financial documents and assets of a contractual joint-venture enterprise.

Article 130. When these regulations are violated, such sanctions as discontinuation of business, confiscation, cancellation of registration and fining shall be imposed according to the degree of violation, and a severe breach shall be subject to criminal punishment.

THE LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON FOREIGN EXCHANGE CONTROL

Adopted by Resolution No. 27 of the Standing Committee of the Supreme People's Assembly on January 31, 1993, amended by Decree No. 484 of the Presidium of the Supreme People's Assembly on February 26, 1999, and amended by Decree No. 2852 of the Presidium of the Supreme People's Assembly on February 21, 2002

Chapter 1. Fundamentals

Article 1. The Law of the Democratic People's Republic of Korea on Foreign Exchange Control is intended to contribute to holding foreign exchange in a unified way and using it rationally by establishing a strict system and order in earning, using, bringing in and taking out foreign currency.

Article 2. Foreign exchange includes convertible foreign currencies and such foreign currency securities as State bonds and debentures.

Instruments of foreign exchange payments such as drafts, cheques and negotiable certificates of deposit, gold, silver and platinum other than decorative articles, gold and silver coins traded on international financial markets, and other precious metals belong to foreign exchange.

Article 3. Controlling foreign exchange in a unified way is an important principle in foreign exchange control.

The State shall ensure that the central financial guidance organ holds and controls foreign exchange in a unified way.

Article 4. Foreign exchange transactions in the DPRK shall be undertaken by the Foreign Trade Bank.

Other banks may engage in foreign exchange transactions with the approval of the central financial guidance organ.

Article 5. A foreign currency in cash shall not be circulated in the territory of the DPRK.

A foreign currency shall be converted into Korean *won* if it is to be used.

Article 6. Buying, selling, saving, depositing and mortgaging of foreign currency shall be done only through a bank authorized to conduct foreign exchange transactions.

A bank authorized to conduct foreign exchange transactions shall undertake its business within the scope approved by the central financial guidance organ.

Article 7. The kinds of exchange rate of Korean *won* in foreign currency, the scope of their application and fixed exchange rate shall be determined by the central financial guidance organ.

The rates of foreign currency in cash and settlement exchange when exchanged into Korean won shall be determined by the Foreign Trade Bank.

Article 8. External settlement shall be made in foreign currencies specified by the central financial guidance organ.

Where agreements have been reached concerning external settlement between the governments of the DPRK and the other countries, the agreements shall take effect.

Article 9. The State shall protect by law foreign currencies earned legally and ensure their inheritance by citizens.

Article 10. This law shall be applied to the organs, enterprises, associations and citizens that earn or use foreign exchange.

The law shall also be applicable to the representative missions of other countries and international organizations, foreign-invested enterprises, foreign individuals and overseas Korean compatriots that earn or use foreign exchange in the territory of the DPRK.

The order of foreign exchange control to be applied in the special economic zone shall be established separately.

Chapter 2. Earning and Use of Foreign Currency

Article 11. The central financial guidance organ shall specify the rate of obligatory payment of foreign currency to the State by the relevant organs, enterprises and associations according to the earning and expenditure plan of foreign currency formulated by the State planning organ.

The organs, enterprises and associations shall keep their accounts at the Foreign Trade Bank and deposit their foreign exchange earnings in time.

Article 12. The representative missions of foreign countries and international organizations shall keep their accounts at the Foreign Trade Bank and deposit foreign exchange in the bank.

Article 13. The foreign-invested enterprises shall keep their accounts at the Foreign Trade Bank and deposit their foreign currency earnings in the bank.

Where they wish to open their accounts at other banks or at the banks outside the territory of the DPRK, they shall consult with the central financial guidance organ.

Article 14. The organs, enterprises and associations shall fulfil in time their plans for earning foreign currency and deliver to the State the obligatory foreign currency on a priority basis.

Article 15. A citizen of the DPRK shall hold foreign currency earned legally within the limit defined by the central financial guidance organ.

In case of excess, he shall either deposit it in or sell it to the bank that engages in foreign exchange transactions.

Article 16. A foreign individual may deposit foreign currency remitted from abroad or legally earned in the bank that engages in foreign exchange transactions or sell it to that bank.

Article 17. Foreign currency may be used in the following transactions:

1. Payment in accordance with external economic contracts and

payment agreements,

2. Payment in such non-trade transactions as payment of travel expenses, overheads and maintenance costs,

3. Buying or selling of Korean *won* at a bank, and

4. Such transactions as depositing, trusting, loaning and guaranteeing debt.

Article 18. External settlement shall be made in the form of letter of credit, remittance, payment claim or payment order.

Article 19. The organs, enterprises and associations shall use foreign currency for the items and purposes specified.

In case they want to use foreign currency for the items and purposes other than specified, they shall obtain approval of the central financial guidance organ.

Article 20. The organs, enterprises and associations shall be allowed to use on its own the amount of their surplus earning of their foreign currency earning plans. In this case, they shall use it for the specified items and purposes.

Article 21. The bank in charge of foreign currency settlements shall guarantee the secrecy concerning deposits and savings of foreign currency and pay calculated interests as specified.

The bank shall discharge foreign currency wanted by depositors and savers in good time.

Article 22. The bank in charge of foreign currency settlements of the DPRK shall be allowed to lend foreign currency to the organs, enterprises, associations and foreign-invested enterprises. In this case, it shall formulate a plan of lending foreign currency, consult with the central financial guidance organ and have it ratified by the Cabinet.

Article 23. The organs, enterprises and associations may draw a loan from another country or an international organization. In this case, they shall consult with the central financial guidance organ and have it ratified by the Cabinet.

Article 24. The organs, enterprises and associations wishing to issue securities denominated in foreign currency shall obtain approval of relevant organs.

Chapter 3. Bringing In and Taking Out of Foreign Currency

Article 25. Foreign currency in cash, securities denominated in foreign currency and precious metals may be brought into the territory of the DPRK without limit. In this case, commission or tariff shall not be applied.

Article 26. Foreign currency in cash shall be allowed to be taken out of the territory of the DPRK within the limit as specified in the foreign currency exchange document issued by a bank or as declared to the customs

upon entry.

Article 27. Securities in foreign currency may be removed from the territory of the DPRK only with the approval of the central financial guidance organ.

Securities in foreign currency declared to the customs upon entry may be taken out of the territory of the DPRK without permission being sought.

Article 28. Precious metals may be taken out of the territory of the DPRK with approval of the Central Bank.

Precious metals brought into the territory of the DPRK shall be allowed to be taken out within the limit declared to the customs upon entry.

Article 29. A foreign investor shall be allowed to remit out of the territory of the DPRK profits and other earnings from business without being taxed.

Invested assets may be taken out of the territory of the DPRK without being taxed.

Article 30. A foreign individual working in a foreign-invested enterprise may remit or take out of the territory of the DPRK foreign currency running up to 60 per cent of his total salaries and other legitimate foreign currency earnings.

Chapter 4. Guidance and Supervision over Foreign Exchange Control

Article 31. The central financial guidance organ shall guide and supervise foreign exchange control under the unified guidance of the Cabinet.

The central financial guidance organ shall establish a correct system of guidance over foreign exchange control and balance the earning and expenditure of foreign currency.

Article 32. The organs, enterprises and associations under the central budget shall be guided directly by the central financial guidance organ.

The organs, enterprises and associations under the local budget shall be guided through the provincial people's committee.

Article 33. The central financial guidance organ shall exercise unified supervision and management of the foreign exchange claims and liabilities to foreign countries.

The organs, enterprises and associations concerned shall satisfy the demands of the central financial guidance organ in time.

Article 34. The central financial guidance organ shall define the standards of expenditure of foreign currency as living allowances and travel expenses, and ensure their proper implementation.

Article 35. The central financial guidance organ shall receive from the bank that engages in foreign exchange transactions quarterly and yearly financial statements and other necessary statistical data concerning its business.

Article 36. The organs, enterprises and associations shall review the

implementation of their foreign exchange plans on a monthly and quarterly basis and submit them to the central financial guidance organ.

The central financial guidance organ shall review them and report it to the Cabinet.

Article 37. The central financial guidance organ may inspect foreign exchange management by the organs, enterprises, associations and the bank that engages in foreign exchange transactions.

The relevant organs, enterprises, associations and the bank that engages in foreign exchange transactions shall provide conditions necessary for inspection by the central financial guidance organ.

Article 38. In case of failure to pay an exact amount of foreign currency obligatory to the State in time, arrearage charge shall be imposed.

Article 39. In case of inflicting losses on depositors and savers for failure to disburse foreign currency in time, relevant damages shall be compensated.

Article 40. In case foreign currency has not been deposited with a bank within the set date or it has been deposited with another bank, fines shall be imposed.

Article 41. Foreign currency and other materials transacted illegally or diverted to foreign countries shall be confiscated.

Article 42. The officials of the organs, enterprises and associations and individual citizens that have violated this law and so caused grave consequences in foreign exchange control shall be subject to administrative or criminal penalties, corresponding to the severity of the violation whatsoever.

REGULATIONS FOR THE IMPLEMENTATION OF THE LAW ON FOREIGN EXCHANGE CONTROL

Adopted by Decision No. 20 of the Cabinet on March 14, 2002

Chapter 1. General

Article 1. These regulations are formulated to make contributions to the development of the national economy and the expansion of external economic relations by holding foreign currency in a unified way and establishing a strict order in the management and use of the country's foreign currency through the implementation of the Law of the Democratic People's Republic of Korea on Foreign Exchange Control.

Article 2. Foreign currency includes convertible foreign currency and non-convertible foreign currency.

Convertible foreign currency includes convertible currencies of foreign countries, securities, payment instruments and precious metals.

Convertible currencies of foreign countries includes foreign banknotes and auxiliary coins which can be freely converted into currencies of any other countries at any place and at any time.

Foreign currency securities include State bonds, local bonds, debentures, shares and investment certificates that are denominated in foreign currency.

Foreign currency payment instruments are bills, cheques, certificates of deposit and savings, payment orders and all kinds of credit cards denominated in foreign currency.

Precious metals include gold, silver and platinum, excepting decorative articles, as well as gold and silver coins and other precious metals which are transacted in the international financial markets.

Non-convertible foreign currency includes foreign banknotes and auxiliary coins which cannot be converted into currency of any other countries at any place and at any time.

Article 3. The Ministry of Finance (hereinafter called the State foreign exchange control organ) shall be responsible for the unified control of foreign currency in the country.

Article 4. Foreign currency in cash shall not be circulated inside the territory of the DPRK.

Foreign currency in cash shall be used only after having been exchanged with Korean *won* at designated places.

Article 5. Foreign currency transactions in the DPRK shall be undertaken by the Foreign Trade Bank.

The Bank shall set formalities and methods concerning settlements in foreign currency transactions, commission of settlement account, deposits of foreign currency, savings and interest rate of loans with the consent of the State foreign exchange control organ.

Other banks may engage in foreign currency transactions with the approval of the State foreign exchange control organ.

Article 6. Agreements between banks pursuant to the agreements between the DPRK and other governments shall be concluded by the Foreign Trade Bank.

Article 7. The bank in charge of foreign currency settlements (hereinafter called the external settlement bank) shall transact foreign currencies within the limit approved by the State foreign exchange control organ.

Article 8. Foreign currency transactions such as buying, selling, depositing, saving and mortgaging of foreign currency shall be done only through the external settlement bank.

Article 9. The kinds of exchange rate of Korean *won* in foreign currency and the limit of their appliance and pegged exchange rate shall be determined by the State foreign exchange control organ.

Market exchange rate such as the rate of foreign currency in cash and settlement exchange when exchanged into Korean *won* shall be determined by the Foreign Trade Bank.

Article 10. External settlement shall be made in foreign currencies specified by the State foreign exchange control organ.

If settlement is to be made in the foreign currencies other than those specified, approval shall be obtained for it from the State foreign exchange control organ.

When agreements have been reached concerning external settlement between governments of the DPRK and other countries, the agreements shall take effect.

Article 11. External transactions of organizations and enterprises, foreign-invested businesses, and missions of foreign countries and international organizations shall be settled through their accounts in their external settlement bank.

Article 12. Foreign currencies which are legally earned by individuals inside the territory of the DPRK, and foreign currencies which are remitted from abroad or brought in by a person himself shall be protected by law and may be transferred or inherited.

Article 13. These regulations shall be applied to the organs, enterprises and associations (hereinafter called the organs and enterprises) and citizens that earn or use foreign currency.

These regulations shall also apply to representative offices of other countries and international organizations, foreign-invested enterprises, foreign individuals and overseas Korean compatriots that earn or use foreign currency inside the territory of the DPRK.

These regulations shall also apply to the DPRK representative offices abroad, enterprises, corporations and agencies in other countries.

Article 14. Foreign exchange control in the special economic zone shall

be done as specified separately.

Chapter 2. Earning and Use of Foreign Currency

Article 15. The State planning organ shall send plans for earning and expenditure of foreign currency to the relevant organs and enterprises and the State foreign exchange control organ.

Article 16. The organs and enterprises shall draw up draft foreign currency financial plans to carry out the plans for earning and expenditure of foreign currency before submitting them to the State foreign exchange control organ. The provincial people's committee shall examine and sum up the draft foreign currency financial plans of the organs and enterprises under the local budget before submitting them to the State foreign exchange control organ.

Article 17. The State foreign exchange control organ shall review the draft foreign currency financial plans of the organs and enterprises and specify the rate of obligatory payment of foreign currency to the State by organs and enterprises on the basis of the earning and expenditure plan of foreign currency sent by the State planning organ.

Article 18. An account shall be opened under the following principles:

1. An account shall be opened as required by the principle of unified monetary management system,

2. The organs, enterprises, foreign-invested businesses and representative offices of other countries or international organizations shall keep an account at one bank only,

3. Where the organs and enterprises have several subordinate management units, they shall keep one account and, if they want to have more than one, they shall obtain approval of the State foreign exchange control organ,

4. The organs and enterprises inside the territory of the DPRK cannot keep an account at a bank in a foreign country, and

5. The DPRK establishments resident in foreign countries shall keep one account at a bank of the residing country. If necessary, they may keep one more account after receiving approval of the Cabinet through the State foreign exchange control organ.

Article 19. The organs, enterprises, and representative offices of foreign countries and international organizations shall keep an account at the Foreign Trade Bank.

Article 20. Contractual joint ventures, equity joint ventures, foreign enterprises, branch offices, agencies and other foreign-invested businesses shall keep their accounts at the Foreign Trade Bank.

Foreign-invested enterprises may keep accounts at the other external settlement banks inside the territory of the DPRK or at a bank outside the territory of the DPRK with the consent of the State foreign exchange control organ.

Article 21. In case of opening an account, the application for the opening of an account shall be submitted to the bank at which they wish to open the account.

The application for opening a bank account shall include the necessary items and be accompanied by stamped bill to be used in transactions with the bank and such an evidentiary document as certificates of approval or agreement of the State foreign exchange control organ concerning the opening of the bank account.

The certificate of approval of establishment of the enterprise shall be added to these in case of foreign-invested enterprises.

Article 22. The State foreign currency account shall be under the control of the State foreign exchange control organ.

Article 23. The organs and enterprises shall fulfil the plan for earning foreign currency and the plan of obligatory foreign currency payment to the State.

The organs and enterprises shall deliver the obligatory foreign currency prior to other expenditure out of the earned foreign currency.

Article 24. The organs and enterprises shall deposit obligatorily money due in foreign currency in the State foreign currency account within the fixed period following the procedure of the obligatory delivery of foreign currency to the State specified by the State foreign exchange control organ.

Article 25. In case the organs and enterprises that are not planned to deliver foreign currency obligatorily to the State have earned foreign currency, they shall deliver 10 per cent of the earnings to the State.

Article 26. The organs and enterprises shall keep the foreign currency they earned in their accounts at the relevant external settlement banks.

They shall not deposit foreign currency in a bank of a foreign country or keep it in the custody of an institution, enterprise or individual without the consent of the State foreign exchange control organ.

Article 27. The organs and enterprises shall deposit in their banks their foreign currency earnings accruing from economic transaction with foreign countries, such as adjustments, transaction balances, commissions, demurrage, service charges, penalties and surrender charges, within 20 days from the date on which such earnings are vested.

Article 28. The foreign-invested enterprises shall deposit foreign currency earnings accruing from selling, service charges, interest and commissions in their accounts at their banks.

Article 29. The representative offices of other countries or international organizations shall keep foreign currency remitted from abroad or earned in their accounts at the Foreign Trade Bank.

Article 30. A citizen of the DPRK may have foreign currency in cash, remitted from abroad or legally earned, within the limit defined by the State foreign exchange control organ, and in case of excess, shall either deposit it in the external settlement bank or sell it to that bank.

Article 31. A foreign individual may deposit foreign currency remitted from abroad or legally earned in the external settlement bank of the DPRK or sell it to that bank.

Article 32. Foreign currency shall be used for trade and non-trade, capital and financial transactions.

Trade transactions shall include import and export of goods and economic transactions which are directly related thereto.

Non-trade transactions shall include payments of maintenance cost of representative offices, travelling expenses of delegations, interest, dividend, transactions related to the provision of tourism, communications, port and services, and payment transactions related to inheritance and guarantee.

Capital transactions shall include transactions related to direct investment, civil investment, governmental investment, trusts, debt guarantee, selling and buying of foreign currency payment instruments or bonds, issuance and acquisition of securities, acquisition of real estates and the like.

Financial transactions shall include transactions related to the bonds and debts of the commercial banks and the central bank.

Article 33. The organs and enterprises shall use foreign currency only for specified items and purposes under the condition that they are designated in the foreign currency expenditure plan and that the State foreign currency due is paid.

In case they want to use foreign currency in the items and purposes other than the specification, they shall get approval of the State foreign exchange control organ.

Article 34. Foreign currency in a foreign currency account of the provincial, city or county people's committee shall be used upon examination of the provincial people's committee, only for the items and purposes specified in the foreign currency expenditure plan.

Article 35. The permanent representative missions of the DPRK in foreign countries shall be allowed to use foreign currency only for specified purposes and within the standard limit.

Article 36. The organs and enterprises shall obtain approval of the State foreign exchange control organ in case they want to deposit temporarily foreign currency in the permanent representative missions of the DPRK in foreign countries.

Article 37. The organs and enterprises that have overfulfilled their foreign currency earnings plans may use the amount of overfulfilled earnings on their own for the specified items and purposes.

Article 38. Foreign currency settlement related to external transactions shall be made in the form of letter of credit, remittance, payment claim or payment order and so on.

Article 39. The external settlement bank shall settle on a priority basis the foreign currency payments obligatory to the State in the foreign currency accounts of the organs and enterprises.

The external settlement bank shall make unconditional accounts on the State forced foreign currency payment notice issued by the State foreign exchange control organ to the organs and enterprises which have failed to pay State foreign exchange obligatory payments corresponding to their foreign currency earnings.

Article 40. Foreign currency in the State foreign currency account shall be withdrawn by the State foreign exchange control organ under the condition that it is estimated in foreign currency expenditure plan and it is approved by the Cabinet.

Foreign currency in the State foreign currency account shall not be withdrawn exceeding the balance remaining in the account.

Article 41. The State foreign exchange control organ and the external settlement bank shall not withdraw at their own will foreign currency in the accounts of the organs and enterprises without agreement of the customers concerned.

Article 42. The organs and enterprises shall make accounts through the external settlement bank in case of buying goods from other countries.

Article 43. The organs, enterprises and foreign-invested businesses shall apply for money to be paid only within the limit of the balance remaining in their accounts at the relevant external settlement bank.

Article 44. The external settlement bank shall give unconditionally the approved foreign currency wanted by the foreign-invested enterprises or representative missions of foreign countries or international organizations or by the relevant organs and enterprises within the limit of the balance remaining in their accounts.

Article 45. The external settlement bank shall take measures to unify the foreign currency balance of the bank, the State foreign currency account in the bank and the foreign currency balance of organs, enterprises and foreign-invested businesses for the accurate and timely provision of the State foreign currency due and external settlement.

Article 46. The external settlement bank shall guarantee the secrecy concerning deposits and savings of foreign currency and calculate interests as specified.

The external settlement bank shall discharge foreign currency wanted by depositors and savers in good time.

Article 47. The external settlement bank shall produce and deliver to the customer a notice of credit and debt describing the transactions of the day by the next working day and monthly balance statements describing the transactions during the month within 10 days after the end of the month.

The customer shall make sure of these notices and statements and, if he has an objection thereto, shall notify the bank thereof by the next working day in case of a daily notice and within 5 days after its receipt in case of a monthly statement.

Article 48. The organs, enterprises and foreign-invested businesses may

draw a loan in foreign currency needed for the normalization of production, modernization of production processes and other business operations from the external settlement bank.

Article 49. The external settlement bank shall make a loan in foreign currency on the basis of the foreign currency loan plan.

The foreign currency loan plan shall be approved by the Cabinet after being agreed by the State foreign exchange control organ.

Article 50. The organs and enterprises shall consult with the State foreign exchange control organ and be approved by the Cabinet if they want to draw a governmental loan from another country or receive a loan or grant from an international economic organization, enterprise or financial establishment.

The organs and enterprises shall lay aside redemption margin for the borrowed money in foreign currency such as loan and grant in their accounts of the State foreign exchange control organ and notify the result to the State foreign exchange control organ.

Loan and grant include foreign currency in cash and securities and property in kind.

Article 51. Where the organs, enterprises and foreign-invested businesses wish to issue foreign currency securities such as foreign currency bonds and stocks, they shall apply to the relevant organ for its approval or consent.

Article 52. The organs and enterprises shall deposit in the relevant external settlement bank the foreign currency earned or remaining unused in a foreign country, and if they are to use it urgently, they may use it on the spot with the approval of the Cabinet through the State foreign exchange control organ.

Article 53. Where the organs, enterprises and individual officials have used foreign currency in a foreign country with the approval or consent of the State foreign exchange control organ, they shall sum up the use with their banks and undergo case-by-case review and confirmation by the State foreign exchange control organ within the specified time limit.

Chapter 3. Bringing in and Taking out of Foreign Currency

Article 54. Foreign currency in cash, foreign currency securities and precious metals may be brought into the territory of the DPRK without limit. In this case, customs declaration shall be made and commission or tariff shall not be applied.

Article 55. Foreign currency in cash shall be allowed to be taken out of the territory of the DPRK within the limit of such amount as set in the foreign currency exchange document and the paper of cash payment issued by the external settlement bank or as declared to the customs upon entry.

Article 56. Securities in foreign currency may be removed from the territory of the DPRK only with the permission of the State foreign exchange

control organ.

Securities in foreign currency declared to the customs upon entry may be taken out of the territory of the DPRK without permission being sought.

Article 57. Precious metals, except those declared to the customs upon entry, and precious metals to be exported may be taken out of the territory of the DPRK with permission by the Central Bank.

Except for the commemorative coins and decorative articles purchased in the territory of the DPRK, precious metal products may be taken out of the territory of the DPRK upon production of the certificates issued by their sellers.

Article 58. A foreign-invested business may take foreign currency out of the territory of the DPRK as categorized in the followings:

1. Funds for importing raw and other materials, equipment and the like for production,
2. Funds needed for importing materials for management purposes,
3. Funds for the maintenance of branches, representative offices, agencies and liaison offices set up in foreign countries, and
4. Funds needed for the acquisition of securities or real estates of foreign countries.

Article 59. Travelers' cheques, credit cards and the like issued or sold by the external settlement bank of the DPRK may be brought out of the territory of the DPRK without relevant certificates.

Article 60. A foreign investor may remit out of the territory of the DPRK profits and earnings from business and leftovers after liquidation of business without being taxed or transmit capital without limit under the condition that they are certified by a certific public accountants' office.

Article 61. A foreign individual may remit or take out of the territory of the DPRK foreign currency running up to 60per cent of his total salaries and other legitimate foreign currency earnings. When an amount exceeding 60per cent is to be remitted or taken out, it shall be approved by the State foreign exchange control organ.

Article 62. Where an agreement on bringing in and taking out of each other's currencies has been concluded between the governments of the DPRK and a foreign country, the agreement shall take effect.

Chapter 4. Guidance and Supervision over Foreign Exchange Control

Article 63. The State foreign exchange control organ shall guide and supervise foreign exchange control under the unified guidance of the Cabinet.

The State foreign exchange control organ shall establish a correct system of guidance over foreign exchange control and balance the earning and expenditure of foreign currency.

Article 64. The organs and enterprises under the central budget shall be guided directly by the State foreign exchange control organ and the organs and

enterprises under the local budget shall be guided through the provincial people's committee.

Article 65. The State foreign exchange control organ shall exercise unified supervision and management of the foreign currency claims and liabilities of foreign countries.

The organs and enterprises concerned shall submit in time the necessary data demanded by the State foreign exchange control organ.

Article 66. The State foreign exchange control organ shall grasp financial management of foreign currency in foreign-invested enterprises and supervise their obligatory payment to the State of foreign currency.

Article 67. The State foreign exchange control organ shall formulate laws and regulations concerning foreign currency control and direct their correct implementation.

Article 68. The State foreign exchange control organ shall define the scope of foreign exchange transactions of the external settlement bank and supervise the bank's transactions within the scope.

Article 69. The State foreign exchange control organ shall define the standards of expenditure of foreign currency such as living allowances and travel expenses of the citizens of the DPRK who reside in or travel to foreign countries (officials of diplomatic missions, overseas construction and contractual and equity joint ventures, travelers on business, technicians, specialists, students studying abroad, etc) and supervise their implementation.

Article 70. The organs and enterprises shall review the implementation of foreign exchange financial plans on a monthly and quarterly basis and submit quarterly and yearly accounts of foreign currency to the State foreign exchange control organ through their respective superior organs.

The accounts shall be accompanied by the confirmation of foreign currency remainder issued by the relevant external settlement bank.

The provincial people's committee shall review and sum up the accounts of foreign currency of the organs and enterprises under the local budget before submitting them to the State foreign exchange control organ.

The method and form of making the accounts of foreign currency shall be defined by the State foreign exchange control organ.

Article 71. The organs of the DPRK in foreign countries shall on a quarterly basis submit the document relating to foreign exchange accounts, together with the list of floating height of their accounts at the banks of the countries concerned within specified date to the State foreign exchange control organ.

Article 72. The foreign-invested business shall settle on a quarterly basis its earning and expenditure of foreign currency, have it verified by a certific public accountants' office and submit it to the foreign exchange control organ through the relevant organ within the specified date.

Article 73. The foreign-invested business that keeps an account at a bank of a foreign country shall submit to the State foreign exchange control

organ document relating to its earning and expenditure of foreign currency in the account within 30 days of the first month of the next quarter.

Article 74. The State foreign exchange control organ shall regularly receive the quarterly and yearly financial statements and other necessary statistical data from the external settlement bank and analyze the earning and expenditure of foreign currency.

Article 75. The State foreign exchange control organ shall review on a quarterly basis the fulfillment of the national plan of earning and expenditure of foreign currency and the plan of the State foreign currency obligatory payment, analyze the data and submit it to the Cabinet.

Article 76. The State foreign exchange control organ shall regularly inspect foreign currency management of the external settlement bank and the relevant organs and enterprises and take corresponding measures.

The external settlement bank and the relevant organs and enterprises shall provide the State foreign exchange control organ necessary conditions for such inspection.

Article 77. Where the organs and enterprises have failed to pay the State foreign currency due corresponding to the foreign currency earnings within the specified date, arrearage charge of 1 per cent of the amount in question shall be imposed every day.

Article 78. Where the organs and enterprises have failed to deposit their foreign currency earnings with the bank, the State foreign exchange control organ shall confiscate the total amount and put it into the State foreign exchange account.

Article 79. Where the organs and enterprises have deposited their foreign currency earnings with a bank other than the approved external settlement bank, the State foreign exchange control organ shall move the total amount to the approved external settlement bank and fines of up to 10 per cent of the total amount of foreign currency in question be imposed.

Article 80. The external settlement bank shall pay the relevant damages in case it has inflicted losses on depositors and savers for its failure to disburse foreign currency in time.

Damages shall be paid to the savers and depositors by calculating the interest by means of the interest rate 20 per cent higher than the rate designated for the delayed amount and period.

Article 81. The relevant total amount of foreign currency shall be confiscated in the following cases:

1. The organs, enterprises and the DPRK citizens have kept foreign currency in foreign countries,
2. The organs and enterprises have transacted with each other in foreign currency in cash without going through the external settlement bank,
3. Foreign currency was dealt in illicitly,
4. Taking in or bringing out of foreign currency is going to be conducted in violation of the relevant order, and

5. Foreign currency was earned by illegal means.

Article 82. Where an account has been opened at another bank without consent of or agreement with the State foreign exchange control organ, the account in question shall be closed and fines shall be levied within the scope of 50 per cent of the balance.

Article 83. In case of either refusal to pay arrears, indemnities, recovery, forfeit and confiscated money or failure to pay them by the set time limit, the amount in question shall forcefully be withdrawn from the relevant account at the bank.

Article 84. Arrears, confiscated money, recovery, forfeit and indemnities paid in foreign currency shall be put into the State foreign exchange account.

Article 85. The organs, enterprises and senior officials who have caused hindrance to foreign exchange management owing to breach of these regulations shall be subject to administrative or criminal penalties, corresponding to the severity of the violation whatsoever.

THE LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON FOREIGN-INVESTED BANK

Adopted by Resolution No. 42 of the Standing Committee of the Supreme People's Assembly on November 24, 1993 amended by Decree No. 484 of the Presidium of the Supreme People's Assembly on February 26, 1999, and amended by Decree No. 3400 of the Presidium of the Supreme People's Assembly on November 7, 2002

Chapter 1. Fundamentals

Article 1. The law of the Democratic People's Republic of Korea on Foreign-invested Bank shall contribute to the expansion and development of cooperation with different countries the world over in the area of finance.

Article 2. A foreign investor may establish and operate a foreign-invested bank within the territory of the DPRK.

Foreign-invested banks include joint-venture banks, wholly foreign-owned banks and branches of foreign banks.

Wholly foreign-owned banks and branches of foreign banks shall be allowed to be established only in the Rason economic and trade zone.

Article 3. Foreign-invested banks shall have ownership over their banking property and shall be independent in their management.

Article 4. The state shall protect the legal rights and interests of foreign-invested banks established in the territory of the DPRK.

Article 5. Operation of foreign-invested banks shall be subject to the relevant laws and regulations of the DPRK.

Article 6. Foreign-invested banks shall be supervised and controlled by the Central Bank and foreign exchange control organ.

Article 7. This law prescribes the principles and procedures for the establishment, operation and dissolution of foreign-invested banks.

Chapter 2. Establishment and Dissolution of Foreign-invested Banks

Article 8. An investor who intends to establish a foreign-invested bank in the territory of the DPRK shall file an application to the Central Bank, declaring the name of the bank, the name and curriculum vitae of its president, the registered capital, paid-up capital, operation fund, investment rate, details of business, etc.

Article 9. For the purpose of establishing a joint-venture bank, an application should be filed by the party concerned, who shall attach to the application such documents as the memorandum, feasibility study report, copy of the contract on joint venture, list of managing staff, copy of the letter of

approval for foreign exchange transactions and copy of the business licence.

Article 10. For the purpose of establishing a wholly foreign-owned bank, an application should be filed by the foreign investor concerned, who shall attach to the application such documents as the memorandum, feasibility study report, list of managing staff, balance sheet, copy of the business licence, and copy of the letter of approval for foreign exchange transactions.

Article 11. For the purpose of establishing the branch of a foreign bank, an application should be filed by the head office of the bank concerned, which shall attach to the application such documents as the memorandum, annual reports, balance sheet, profit and loss account, copy of the business licence obtained by the head office, written guarantee by the head office against the tax and debts of the branch, feasibility study report of the branch, list of managing staff, copy of the letter of approval for foreign exchange transactions, and so on.

Article 12. The Central Bank shall decide upon the approval or rejection of the application within 50 days from its receipt.

Article 13. A person who has submitted an application for the establishment of a foreign-invested bank shall, within 30 days after obtaining approval, register with the People's Committee of the province (or municipality directly under central authority) where the bank is to be located or of the Rason city, be issued business licence therefrom and, within 20 days from the receipt of the business licence, register for tax purposes with the financial institution in the area where the bank is to be located.

Article 14. A foreign-invested bank shall be dissolved when it cannot continue its operation due to such reasons as the expiry of the term approved, merger of the banks, insolvency, defaulting of the contract and natural calamities. In this case, an application for dissolution shall be submitted to the Central Bank for approval 30 days in advance and, upon liquidation under the supervision of the liquidation committee, the registration shall be cancelled with the institutions concerned.

Article 15. Where a foreign-invested bank intends to continue its banking business beyond its term, an application should be submitted to the Central Bank for the approval of the extension of the term 6 months before its term expires.

Article 16. Should the memorandum be revised, the bank be merged or divided, the registered capital, operating capital and place of business be changed, categories of business activities be increased or decreased, or the president or vice-president of the bank be replaced with another, the foreign-invested bank shall apply to the Central Bank for approval 30 days in advance and shall have the registration altered.

Article 17. An investor in a foreign-invested bank may, with the approval of the Central Bank, transfer a part or whole of the capital invested to a third person. In this case the investor should reach an agreement with his counterpart.

Chapter 3. Capital and Reserve Funds of Foreign-invested Banks

Article 18. A joint venture bank and a wholly foreign-owned bank shall respectively hold the registered capital in convertible currency worth at least 2,250,000,000 Korean *won* and the primary paid-up capital of at least 50per cent of the registered capital. A branch of the foreign bank shall hold the operating capital in convertible currency equivalent to more than 600,000,000 Korean *won*.

Article 19. For the purpose of obtaining business license, a foreign-invested bank shall deposit the primary paid-up capital and operating capital with a bank designated by the Central Bank within 30 days from the date when it obtained the approval of establishment and shall have it confirmed by a certified public accountant.

Article 20. A foreign-invested hank shall maintain its own capital of more than 5 per cent of the amount guaranteed by the bank or the amount of its liabilities.

Article 21. A joint-venture bank and a wholly foreign-owned bank shall set aside as reserve fund 5per cent of its annual profits each year until the reserve fund grows to 25per cent of the registered capital. The reserve fund shall be used exclusively for the purpose of either compensating for the loss in the settlement of accounts or of increasing capital fund.

Article 22. A foreign-invested bank may reserve such funds in need as bonus fund, welfare fund and R&D fund. The type, size and the ratio of funds shall be defined independently by the foreign-invested bank.

Chapter 4. Transactions and Settlement of Foreign-invested Banks

Article 23. A foreign-invested bank may engage in part or whole of the following transactions:

- a) Accepting deposits of foreign currencies of foreign-invested enterprises, foreign enterprises and foreigners,
- b) Granting loans in foreign currencies, overdrafting on the current account and discounting of foreign currency bills,
- c) Dealing in foreign exchange,
- d) Investment in foreign currencies,
- e) Guarantee against liabilities in foreign currencies and defaulting of contract obligations,
- f) Remittance of foreign currencies,
- g) Clearing of the importer's and exporter's bills of exchange,
- h) Offshore banking,
- i) Transactions of securities in foreign currencies,

- j) Trust banking,
- k) Credit survey and consultation, and
- l) Others.

Article 24. A foreign-invested bank shall not be allowed to lend more than 25 per cent of its capital exclusively to one business.

Article 25. A foreign-invested bank shall open an account with the branch of the Central Bank in the area where it is located and deposit the reserve fund for deposit payment.

Article 26. The financial year of a foreign-invested bank shall begin on January 1 and end on December 31 each year.

Annual business settlement shall be done by not later than February next year.

Article 27. A foreign-invested bank shall submit to the foreign exchange control organ the annual balance sheet and profit and loss account confirmed by a certified public accountant within 30 days from the date of the completion of the annual business settlement, and the quarterly financial statement and necessary statistics by the 15th day of the first month of the ensuing quarter of the year.

Article 28. A foreign-invested bank shall be granted the following preferential treatment.

a) In case the term of business is longer than 10 years, the enterprise income tax shall be exempted for the first profit-making year and may be reduced by up to 50 per cent for the following 2 years,

b) No turnover tax shall be payable for the interest accruing from loans granted on favourable terms to the banks and enterprises of the DPRK,

c) No tax or, otherwise, low-rate tax shall be payable and no reserve fund for deposit payment shall be required for the income accruing from offshore banking, and

d) The income accruing from the banking business and the residual fund, if any, left over after the liquidation of the bank may, subject to the laws and regulations of the DPRK on foreign exchange control, be remitted abroad without a tax.

Chapter 5. Penalties and Settlement of Disputes

Article 29. A foreign-invested bank shall be liable to fining in the following cases;

a) In case it has changed its president or vice-president or the location of the bank without approval,

b) In case it has failed to set aside the reserve fund of required amount,

c) In case it has obstructed or caused difficulties in inspection, and

d) In case it has failed to submit regular reports within a fixed period of time, or submitted false ones.

Article 30. In case a foreign-invested bank engages in other

transactions than those approved, or revises the memorandum, or increases or decreases the registered capital and operating capital without approval, it may be ordered out of operation.

Article 31. In case an applicant for establishment of a bank fails to commence banking business within 10 months from the date of the approval, the approval granted for establishment of the bank may be withdrawn.

Article 32. Disputes concerned with banking business shall be settled through consultation. In case of failure in consultation, they shall be settled through arbitration or legal procedures provided by the DPRK.

THE LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON THE LEASING OF LAND

Adopted by Resolution No. 40 of the Standing Committee of the Supreme People's Assembly on the October 27, 1993, and amended by Decree No. 484 of the Presidium of the Supreme People's Assembly on the February 26, 1999

Chapter 1. Fundamentals

Article 1. The Law of the Democratic People's Republic of Korea on the Leasing of Land shall contribute to establishing a proper system in the leasing of land needed for foreign investors and foreign-invested enterprises and for use of the leased land.

Article 2. A foreign corporate body or individual may lease and use land in the DPRK.

Article 3. The lessee shall have the right to use the land leased. Natural resources and deposits in the land leased shall not be covered by the right to use land.

Article 4. The leasing of land shall be undertaken with the approval of the central land and environment protection guidance organ.

The contract for leasing land shall be made by the land and environment protection department of the People's committee of the province (or municipality directly under central authority) or of Rason City.

Article 5. Any institution, enterprise and entity of the DPRK that intends to contribute land to an equity or contractual joint venture may be granted the right to use land by the People's Committee of the province (or municipality directly under central authority) where it is located, or of Rason City.

Article 6. The term of lease shall be fixed by agreement between the contracting parties within the limit of 50 years, as stipulated in the Law of the Democratic People's Republic of Korea on Foreign Investment.

Article 7. The right to use the land leased shall become the property right of the lessee.

Article 8. The lessee shall manage and use the land leased in accordance with the laws and regulations of the DPRK and the contract for leasing the land.

Chapter 2. Ways of Leasing Land

Article 9. The leasing of land shall be undertaken through consultation. It may also be realized by means of tender and auction in the Rason economic and trade zone.

Article 10. The lessor shall provide the lessee with the following data:

1. The location and area of the land and its topographical map,
2. Uses to which the land may be put,
3. The building area and a plan for development of the land,
4. The period during which construction must be completed and the minimum amount of investment required,
5. The requirements for environmental protection, for hygiene and anti-epidemics and for fire prevention,
6. The term of lease of the land, and
7. The state of development of the land.

Article 11. Land shall be leased through consultation in accordance with the following procedure:

1. A potential lessee shall study the supplied information concerning the land and submit to the lessor an application for the use of land accompanied by a copy of document approving the establishment of an enterprise or residence,

2. The lessor shall notify the applicant of its approval or rejection within 20 days of the receipt of the application,

3. The lessor and the potential lessee shall conclude a contract which specifies the area and usage of the land, the purpose and period of the lease, the total amount of investment, period during which construction may be undertaken, the rent for the land and other relevant matters, and

4. The lessor shall, after the receipt of the charge for transferring the right to use land in accordance with the contract of the leasing of land, issue a certificate for use of the land and register it.

Article 12. The procedure for leasing land through tender is as follows:

1. The lessor shall make public information of the land, the place and date of the tender, the opening date for the tender, the procedure for tender and other relevant information, or forward a tender guide to designated tenderers,

2. The lessor shall sell tender documents to tenderers,

3. The lessor shall provide consultation with regard to the tender,

4. The tenderer shall pay the required amount as a guarantee and place a sealed tender document in the tender box,

5. The lessor shall form a jury, including members from economic, legal and other relevant sectors,

6. The jury shall review and assess the tender documents and decide the best offer in consideration of the development of land and construction on it and the amount of rent offered,

7. The lessor shall issue a notice to the successful tenderer after the jury has reached its decision,

8. The successful tenderer shall conclude a contract for leasing the land with the lessor within 30 days of the receipt of the notice and pay the relevant charge for transferring the right to use the land due prior to receiving and registering the certificate for use of the land.

Should it be necessary to defer the signing of the contract, an application for a deferment of 30 days should be submitted to the lessor at least

10 days prior to the prescribed date,

9. The unsuccessful tenderers shall be informed of the result of the judgement within 5 days of the decision of the jury and the guaranty shall be refunded. No interest shall be paid on the guaranty, and

10. Should the successful tenderer fail to conclude a contract for leasing the land within the prescribed deadline, the tender shall be declared null and void and the guaranty shall not be refunded.

Article 13. Leasing land through auction shall be conducted as follows:

1. The lessor shall make public information concerning the land, data, place and procedure of the auction, reserve price for the land, and other information necessary for the auction,

2. The lessor shall put up land for auction based on the reserve price which has been made public, and the bidder who offers the highest price above this shall be declared the successful bidder, and

3. The successful bidder shall conclude a contract for leasing the land with the lessor and then be issued with a certificate for use of the land and have it registered.

Article 14. The lessee shall use land in accordance with the contract for use of land. A lessee who wishes to alter the use of land shall conclude a supplementary contract with the lessor.

Chapter 3. Transfer and Mortgage of the Right to Use Land

Article 15. The lessee shall be permitted, with the approval of the lessor, to transfer (by means of selling, re-leasing, donation or inheritance) or mortgage to a third party the right to use a part or the whole of the land leased.

The term of the transfer or mortgage of the right to use land shall not exceed the remaining period of the lease prescribed in the contract.

Article 16. The lessee may sell, re-lease, donate or mortgage the leased land only after paying the total amount of charge for transferring the right to use land stipulated in the contract for leasing the land and making the contracted investment.

Article 17. In case of the transfer of the right to use land, the rights and obligations relating to the use of the land, and the structures and other appurtenance of it, shall also be transferred.

Article 18. The sale of the right to use land shall be conducted as follows:

1. The seller and buyer of the right to use land shall conclude a contract and receive attestation from a notary office,

2. The seller shall submit an application for the sale of the right to use land, with a copy of the contract, to the lessor for approval,

3. The seller and buyer shall register any change in the right to use land with the relevant lessor.

Article 19. Where a lessee sells the right to use land, the lessor shall have the preferential right to buy it.

Article 20. The lessee may re-lease the land leased. In this case he shall file an application for the re-lease, accompanied by a copy of the contract for leasing the land, with the lessor for approval.

Article 21. A lessee may mortgage the right to use land with the purpose of obtaining a loan from a bank or other financial institutions. In this case the structures and other appurtenance on the land shall also be mortgaged together with the land.

Article 22. When mortgaging the right to use land, the mortgagor and the mortgagee shall conclude a contract for the mortgage in accordance with the terms of the contract for leasing the land. In this case the mortgagee may request from the mortgagor the contract for leasing the land, a copy of the transfer contract, a copy of the certificate for use of the land or other information relating to the current state of the land.

Article 23. Both the mortgagor and the mortgagee of the right to use land shall register the mortgaged right with the relevant lessor.

Article 24. The mortgagee may dispose of the right to use the land mortgaged by contract, as well as the structures and other appurtenance of the land in accordance with the mortgage contract if the mortgagor fails to pay the amount due by the expiry of the mortgage, or if business has been dissolved or gone bankrupt during the period of the mortgage contract.

Article 25. One who has won the right to use land and the structures and other appurtenance on it disposed of by the mortgagee shall receive attestation from a notary office, register the change with the registration office and use the land in accordance with the contract for leasing the land.

Article 26. The mortgagor shall not be permitted to remortgage or transfer the right to use land during the period of contract without the approval of the mortgagee.

Article 27. Should a mortgage contract be terminated due to the repayment of debt or other reasons, the mortgagee and the mortgagor shall cancel the registration of mortgage of the right to use the land within 10 days.

Chapter 4. Rent of Land

Article 28. The lessee shall pay rent for the leased land to the lessor. The rent shall include the charge transferring the right to use land and the charge for land use.

Article 29. When leasing developed land, the lessor shall receive from the lessee the charge for transferring the right to use land plus the cost of land development.

The cost of land development shall include the costs of land-levelling, road construction, and building water-supply, drainage, electricity, telecommunications and heating systems.

Article 30. The lessee shall pay the total amount of charge for transferring the right to use land within 90 days of signing the contract for leasing land.

The lessee may make payment by installments over a period of five years on agreement with the lessor for part of the land that is eligible for preferential treatment, or for land development which requires a high charge for transferring the right to use land. In this case an appropriate interest shall be paid on the rent in arrears.

Article 31. A lessee who has been leased land through consultation or auction shall pay to the lessor a guaranty equivalent to 10 per cent of the charge for transferring the right to use land, within 15 days of the conclusion of the contract for leasing the land. The guaranty may be appropriated for the charge transferring the right to use land.

Article 32. Should the charge transferring the right to use land not be paid before the prescribed deadline, the lessor shall demand additional payment equivalent to 0.2 per cent the overdue rent on a daily basis, starting from the first day of default. If arrears are not paid for more than 50 days, the contract for leasing land may be cancelled.

Article 33. The user of the land leased shall pay annually land use charge.

For those who invest in priority sectors and in the Rason economic and trade zone, land use charges may be reduced or exempted for up to 10 years.

Chapter 5. Return of the Right to Use Land

Article 34. The right to use land shall automatically return to the lessor on the expiry of the term of the lease stipulated in the contract. The structures and other appurtenance on the land shall also return, without compensation being paid.

In case of land leased for more than 40 years, compensation may be made against the residual value of the buildings completed within 10 years before the expiry of the land lease.

Article 35. When the term of the land lease comes to an end, the lessee shall return the certificate to the issuing authority and cancel the registration of the right to use land.

Article 36. The lessee who wishes to extend the term of land lease shall apply to the lessor for approval to extend the period of land lease 6 months before the expiry of the term.

In this case he shall re-enter into a contract for leasing the land, follow the necessary procedures and receive a reissued certificate for the use of land.

Article 37. When the term of the lease expires, the lessee shall withdraw the structures, facilities and other appurtenance on the land at his own expense and clear the land, in accordance with a request from the lessor.

Article 38. The right to use leased land shall not be cancelled during

the period of the lease.

Should it be necessary to cancel the right to use land during the period of the lease owing to unavoidable circumstances, the lessor shall obtain consent from the lessee six months before and offer the lessee other land of the same conditions or pay proper indemnity for any losses incurred.

Chapter 6. Penalties and Settlement of Disputes

Article 39. If a lessee illegally uses land without the certificate for the use of land, or changes the use of land or transfers or mortgages the right to use land without approval, he shall be fined, have the facilities on the land confiscated or be required to restore the land to its original state, and the contract for transfer or mortgage be declared null and void.

Article 40. In case of a failure to invest 50 per cent of the total sum of investment during the period prescribed in the contract for the leasing of land, or to develop the land as contracted, the lessee may be deprived of the right to use land.

Article 41. If the lessee disagrees with the penalty imposed on him, he may appeal to an institution senior to the one that has imposed sanctions or file a suit with an appropriate court within 20 days of the receipt of the notice of penalty.

Article 42. Disagreements arising in leasing land or transferring and mortgaging leased land to a third party shall be settled through consultation.

In case of failure in consultation, they shall be settled through arbitration or legal procedures provided by the DPRK, or may be taken to an arbitration body in a third country for settlement.

THE LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON FOREIGN-INVESTED BUSINESS AND FOREIGN INDIVIDUAL TAX

Adopted by Resolution No. 26 of the Standing Committee of the Supreme People's Assembly on January 31, 1993, amended by Decree No. 484 of the Presidium of the Supreme People's Assembly on February 26, 1999, amended by Decree No. 2315 of the Presidium of the Supreme People's Assembly on May 17, 2001, and amended by Decree No. 3400 of the Presidium of the Supreme People's Assembly on November 7, 2002

Chapter 1. Fundamentals

Article 1. The Law of the Democratic People's Republic of Korea on Foreign-Invested Business and Foreign Individual Tax is promulgated for the purpose of ensuring equality in taxation on, and accurate tax payments by, foreign-invested business and foreign individuals.

Article 2. A foreign-invested business or foreign individual shall, for tax purposes, be registered with the financial organization in the area of its location or of his residence.

Should a foreign-invested business be set up, merged, break up or be dissolved, the enterprise shall complete proceedings for its registration, change in statue or winding up of tax within 20 days of the date of the registration of the event.

Foreign-invested business shall include any contractual joint venture, equity joint venture or wholly foreign-owned enterprise, which is a corporate body of the DPRK, and any foreign enterprise, that is not a corporate body of the DPRK.

Article 3. The accounting procedures for a foreign-invested business shall be in accordance with the accounting rules and regulations of the DPRK for foreign-invested enterprises. Documents on financial accounting shall be kept for a period of 5 years. Such period may be extended, if necessary.

Article 4. Taxes to be paid by a foreign-invested business and foreign individual shall be calculated in Korean *won*, and paid directly by the tax payer or shall be deducted and paid by an entity withholding incomes.

Article 5. The unified guidance on tax payments made by foreign-invested business or foreign individuals shall be conducted by the central financial guidance organization.

Article 6. This law applies to any foreign-invested business and foreign individual doing business or earning income within the territory of the DPRK.

This law is also applicable to any Korean compatriot residing outside the territory of the DPRK who is doing business or earning incomes in the territory of the DPRK.

Article 7. If any tax-related agreement concluded between the Government of the DPRK and the government of a foreign investor or foreign individual contains tax provisions that differ from those of this law, a foreign-invested business or foreign individual may pay taxes in accordance with such an agreement.

Chapter 2. Enterprise Income Tax

Article 8. A foreign-invested business shall pay income tax on sales revenue, income from transfer of construction works, income from freight charge and fees and its other earnings derived from business activities in the territory of the DPRK, as well as on such other incomes earned in the DPRK as interests, income from dividends, proceeds from the lease of fixed assets, proceeds from the sale of assets, royalties on intellectual property right and technical know-how, management fees and income from donation.

A foreign-invested enterprise shall also pay enterprise income tax on incomes earned through its branches, agencies, representative or subsidiaries established outside the territory of the DPRK.

Article 9. The income tax rate for foreign-invested businesses shall be 25per cent of net profit in other parts of the country and 14 per cent in the Rason economic and trade zone.

The enterprise income tax rate in preferential sectors such as state-of-the-art technology, natural resources development, infrastructure construction, scientific research and technical development shall be 10per cent.

Article 10. Should a foreign enterprise earn other incomes such as income from dividends, interests, rent, royalties or other sources in the territory of the DPRK, such incomes shall be taxable at the rate of 20 per cent in other parts of the country and 10 per cent in the Rason economic and trade zone.

Article 11. Enterprise income tax shall be calculated by applying the prescribed tax rate to the net profit, which remains after the deduction of turnover tax or business tax and other expenses from the gross profit, which shall be determined by deducting costs of materials, fuel and power, labour, depreciation, goods purchased, workshop and corporation management, premium for insurance and sales, and other expenses from the gross income, for the period from January 1 to December 31 of each year.

Article 12. A foreign-invested business shall file with the financial institution in its location quarterly estimated income tax returns together with financial statements within 15 days from the end of each quarter, and an annual income tax returns with annual financial statements within 2 months from the end of each year.

Article 13. An estimated enterprise income tax shall be paid for each quarter and the full amount shall be settled at the end of each year.

The estimated payment shall be made within 15 days from the end of

each quarter and final annual settlement within 3 months from the end of each year through refund in case of overpayment or additional payment in case of shortfall.

In case of the dissolution of an enterprise, the enterprise concerned shall establish a bond for tax payment in favour of the financial institution in its area within 20 days from the date of the official declaration of its dissolution and shall pay income tax within 15 days from the date on which liquidation is completed.

Should an enterprise be merged or broken up, the enterprise shall consolidate its income as of the date of such effect and pay income tax to the financial institution of its location within 20 days from the date of the declaration of the merge or break-up.

Article 14. Income tax on other incomes earned by a foreign enterprise shall be reported and paid by the enterprise or the institution withholding income to the financial institution in its area, within 15 days after such incomes have been earned.

Article 15. Enterprise income tax shall not be paid or shall be reduced in the following cases:

1. When a foreign government or an international financial organization grants credit to the Government of the DPRK or to a State bank, or a foreign bank grants a loan under favourable terms to a bank or enterprise in the DPRK, comes from interest payments on such credit or loans shall be exempt from come tax,

2. Foreign-invested businesses in a priority sector or in the production Rason economic and trade zone may be entitled to full exemption the to be withdrawn or dissolved before the end of 10 years, the amount from enterprise income tax for 3 years from the first profitable year and to a reduction of up to 50 per cent for the following 2 years, provided that it will be operated for a duration of more than 10 years,

If it is to be withdrawn or dissolved before the end of 10 years, the amount of income tax exempted or deducted shall be collected,

3. A foreign-invested business in the service sectors in the Rason economic and trade zone may be entitled to full exemption from enterprise income tax for 1 year after the first profit-making year and to a reduction of up to 50 per cent for the following 2 years provided that it is operated for a period of more than 10 years, and

4. A foreign-invested business engaged in infrastructure development, such as railways and roads, communications, airports and ports, in the Rason economic and trade zone with a total investment of at least 4,500,000,000 *won* may be granted full exemption from enterprise income tax for 4 years after the first profit-making year and a deduction of up to 50 per cent for the following 3 years.

Article 16. Should a foreign investor reinvest profits from his business within the territory of the DPRK and operate his enterprise for more than 5

years, 50 per cent of the income tax paid on the reinvested amount may be refunded, and the full amount of income tax paid on the amount reinvested in infrastructure development. If the reinvested amount is withdrawn before the end of 5 years, the income tax refunded shall be repaid.

Chapter 3. Personal Income Tax

Article 17. Any foreign individual earning income within the territory of the DPRK shall pay personal income tax.

A foreign individual who stays or resides for more than 1 year within the territory of the DPRK shall pay personal income tax also on earnings from outside the territory of the DPRK.

Article 18. Personal income tax shall be levied on:

1. Income from remuneration for work,
2. Income from interest payments,
3. Income from dividends,
4. Income from lease of fixed assets,
5. Proceeds from the sale of assets,
6. Royalties from intellectual property right and technical know-how,
7. Management fees, and
8. Income from donation.

Article 19. Personal income tax shall be charged at the following rate:

1. The income tax rate for the remuneration for work shall be 5-30 per cent, except where monthly income is less than 75,000 *won*, which shall be exempt from individual income tax,

2. The income tax rate for income from interest payments, income from dividends, income from lease of fixed assets, royalties from intellectual property right and technical know-how, and management fees shall be 20 per cent,

3. The tax rate for income from donation shall be 2-15 per cent, except where the income is less than 750,000 *won*, which shall be exempt from individual income tax, and

4. The personal income tax rate for the income from the sale of assets shall be 25 per cent.

Article 20. The personal income tax on remuneration for work shall be calculated by applying the tax rate stipulated for the monthly income.

Article 21. Personal income tax on dividends, proceeds from the sale of assets, royalties from intellectual property right and technical know-how, management fees and income from donation shall be calculated by applying the rate prescribed to the income concerned.

Article 22. Personal income tax on interest shall be calculated by applying the prescribed rate against the interest earned from bank deposits.

Article 23. Personal income tax on incomes from lease of fixed assets shall be calculated by applying the prescribed rate to the amount of income

after deducting 20 per cent from the incomes for such costs as labour, packing and commission.

Article 24. Personal income tax shall be paid as follows:

1. Personal income tax on income from remuneration for work shall be deducted and paid to the financial institution in the area of location by an entity withholding such income within 5 days or within 10 days by the person receiving the income to the financial institution in the area of residence,

2. Personal income tax on proceeds from the sale of assets and income from donation shall be reported and paid within 10 days from the end of each quarter by the person receiving the income to the financial institution in the area of residence,

3. Personal income tax on income from interest payments, income from dividends, income from lease of fixed assets, royalties from intellectual property right and technical know-how, and management fees shall be deducted and paid by the entity paying the income or shall be declared and paid by the person receiving the income to the appropriate financial organization within 10 days of the end of each quarter, and

4. No personal income tax shall be levied on interest from savings deposits in a bank of the DPRK and deposits in offshore banking unit in the Rason economic and trade zone.

Chapter 4. Property Tax

Article 25. A foreign individual shall pay property tax on buildings, vessels or aircraft owned by him in the territory of the DPRK.

Buildings owned in the Rason economic and trade zone shall be exempt from the payment of property tax for a period of 5 years.

Article 26. A foreign individual shall register his property with the financial institution in the area of his residence, as follows:

1. The property shall be registered at an assessed value within 20 days from its acquisition,

2. In case of a change in the ownership or registered value of property, new registration shall be made within 20 days from the date of the change,

3. The value of property shall be assessed as of January 1 each year and registered again by the end of each February, and

4. When property is written off, a notice of withdrawal from the register shall be given within 20 days.

Article 27. Property tax shall be levied on the value of the property registered with the financial institution in the area of the owner's residence.

Article 28. The property tax rate shall be 1-1.4 per cent of the value of the property.

Article 29. Property tax shall be calculated from the month following the registration of the property by applying the prescribed rate against the value registered with the financial institution in the area of the owner's

residence.

Article 30. Property tax shall be paid by an owner of property to the financial organization in the area of his residence within 20 days after the end of each quarter.

Chapter 5. Inheritance Tax

Article 31. When property in the territory of the DPRK is inherited by a foreign individual, he shall pay inheritance tax. When any property outside the territory of the DPRK is inherited by a foreign individual resident in the territory of the DPRK, he shall also pay inheritance tax.

Article 32. Inheritance tax shall be levied on the remaining value of the property inherited, after all outstanding debts relating to it are settled.

Article 33. The value of the property inherited shall be assessed as the value of the property at the time of inheritance.

Article 34. The rate of inheritance tax shall be 6-30 per cent of the inheritance cash.

Article 35. Inheritance tax shall be calculated by applying the appropriate tax rate.

Article 36. An inheritor shall file and pay inheritance tax to the financial organization in the area of the inheritor's residence within 3 months of the date of inheritance.

Should the tax payable for inherited property be more than 3,750,000 won, the tax payment may be made in installments, on the agreement of the financial organization in the area of the inheritor's residence.

Chapter 6. Turnover Tax

Article 37. A foreign-invested business of the production sector shall pay turnover tax.

Article 38. Turnover tax shall be levied on product sales revenue.

Article 39. The rate of turnover tax shall be 1-15 per cent of product sales revenue. The rate of turnover tax on luxury goods shall be 16-50 per cent of sales revenue.

Article 40. Turnover tax shall be calculated by applying the rate against the sales revenue for the products.

In case a foreign-invested business engages both in production and in service, turnover tax and business tax shall be calculated respectively.

Article 41. Turnover tax shall be paid by the distributor to the financial institution in the local area within 10 days after the end of each month.

Article 42. Turnover tax shall be exempted or reduced in the following cases:

1. Export goods shall be exempt from turnover tax. Export goods restricted by the State for export shall be subject to turnover tax as prescribed

separately, and

2. Turnover tax shall be reduced by 50 per cent in the Rason economic and trade zone.

Chapter 7. Business Tax

Article 43. A foreign-invested business in the service sector shall pay business tax. A foreign-invested business in the construction sector shall also pay business tax.

Article 44. Business tax shall be levied on the income from service in such sectors as transport, power, commerce, trade, banking, insurance, tourism, advertisement, hotel, public catering, recreation and welfare facilities and income from the transfer of construction works in the construction sector.

Article 45. The rate of business tax shall be 2-10 per cent of the relevant income.

Article 46. Business tax shall be calculated by applying the prescribed rates to the incomes by category of business. In case a foreign-invested business is engaged in several categories of business, business tax shall be calculated by each category of business.

Article 47. A foreign-invested business shall calculate business tax every month and pay to the financial institution of its location within 10 days of the end of each month.

Article 48. Business tax shall be reduced by 50 per cent in the Rason economic and trade zone except in the sectors of commerce, public catering and recreation.

Chapter 8. Local Taxes

Article 49. A foreign-invested business and a foreign resident shall pay local taxes to the financial institution in the area of operation or residence.

Local taxes shall include city management tax and vehicle tax.

Article 50. A foreign-invested business and a foreign resident shall pay city management tax for the maintenance and management of public facilities such as parks, roads and waste disposal facilities.

Article 51. The base for city management tax shall be the total amount of wage and salary payments by an enterprise in case of a foreign-invested business and the monthly income of an individual in case of a foreign resident.

Article 52. City management tax shall be calculated and paid as follows:

1. City management tax on a foreign-invested business shall be calculated each month at the rate of 1 per cent of the total amount of wage and salary payments by an enterprise and paid each month to the financial institution in the area of its operation within 10 days after the end of each month, and

2. City management tax on a foreign resident shall be calculated each month at the rate of 1 per cent of the monthly income and deducted and paid by an entity withholding such income or by the foreign resident to the appropriate financial institution within 10 days after the end of each month.

Article 53. A foreign-invested business and a foreign individual shall pay a vehicle tax for the use of a vehicle.

Article 54. A foreign-invested business and a foreign individual shall register vehicles with the financial institution in the area of operation or residence within 30 days after gaining ownership of the vehicles.

Article 55. The amount of vehicle tax shall be 1,500-15,000 *won*.

Article 56. Vehicle tax shall be paid by the user of the vehicle before the end of February of each year to the financial institution in the area of operation or residence.

When a vehicle is not in use, the vehicle tax may not have to be paid for the duration of the period of non-use, provided that it has been reported to the financial institution in the area.

Chapter 9. Sanction and Appeal

Article 57. Should a foreign-invested business or a foreign individual fail to pay taxes within the specified time limit, the financial institution shall levy a penalty of 0.3per cent every day on the overdue, beginning the day after the specified date for the tax payment.

Article 58. The financial institution shall impose fine on any foreign-invested business, foreign individual or withholding entity in the following cases:

1. Fines of up to 150,000 *won* for any failure to complete a tax procedure in time, or submit income tax returns, deducted income tax returns and financial accounting statements,
2. Fines of up to twice the amount due for short payment or nonpayment of taxes by an entity withholding taxes, and
3. Fines of up to 4 times of the taxes due, in cases of tax evasion.

Article 59. Any severe breach of this law shall be subject to administrative or criminal prosecution.

Article 60. Should a foreign-invested business or a foreign individual have ground for complaint or grievance in connection with tax payment, he may file an appeal or a lawsuit within 30 days from the date on which he had paid the tax.

The appeal shall be presented to the financial institution immediately superior to the financial institution to which the tax in question has been paid, and a lawsuit shall be filed with the court in the area of operation or residence.

Article 61. A financial institution that has received an appeal shall examine and settle the case within 30 days from the date of its receipt.

In case of disagreement with the settlement by the financial institution concerned, the case may be submitted to the court in area of operation or residence within 10 days from the date on which the appeal has been settled.

REGULATIONS FOR THE IMPLEMENTATION OF THE LAW ON FOREIGN-INVESTED BUSINESS AND FOREIGN INDIVIDUAL TAX

Adopted by Decision No. 39 of the Cabinet on June 14, 2002

Chapter 1. General

Article 1. These regulations are intended to ensure proper implementation of the Law of the Democratic People's Republic of Korea on Foreign-Invested Business and Foreign Individual Tax and to establish a system and discipline in tax payment.

Article 2. Taxes to be paid by foreign-invested enterprises and foreign individuals shall comprise enterprise income tax, personal income tax, property tax, inheritance tax, turnover tax, business tax and local taxes.

Article 3. These regulations shall be applied to any foreign-invested enterprise or foreign individual carrying out business transactions or earning incomes in the territory of the DPRK. These regulations are also applicable to any overseas Korean doing business or earning incomes in the territory of the DPRK. A foreign-invested business is a foreign-invested enterprise or a foreign enterprise.

The foreign-invested enterprises comprise any joint ventures, both contractual and equity, or wholly foreign-owned enterprises which are set up and run inside the DPRK. The foreign enterprises comprise foreign companies, firms and other economic institutions that either carry out business activities through their permanent representatives in the territory of the DPRK or earn income through nonpermanent representative therein.

A foreign individual means any foreigner doing business or earning income inside the DPRK.

Article 4. Foreign-invested enterprises and foreign individuals shall go through the following procedures for tax registration:

1. A foreign-invested business shall make tax registration with the relevant financial organization (hereinafter called the taxation institution) within 20 days (15 days in the Rason economic and trade zone) from the date of its registration as a corporate body.

In case of change in its location, merger, break-up, or change in the amount of registered capital, the scope of business, categories of business and so on, registration of tax change shall be made with the taxation institution within 20 days (15 days in the Rason economic and trade zone) from the date of registration of the event.

The foreign-invested business which is to be dissolved shall go through the formalities for the cancellation of its tax registration with the taxation institution 20 days prior to the cancellation of its business registration, and

2. A foreign individual who stays or resides in the territory of the DPRK for more than 180 days (90 days in the Rason economic and trade zone)

shall make tax registration with the taxation institution within 20 days (15 days in the Rason economic and trade zone) from the date of approval for his stay or residence.

Article 5. For tax registration, a foreign-invested business and foreign individual shall submit the application for tax registration to the taxation institution.

The application of a foreign-invested enterprise shall contain the name and address of the enterprise, the date and number of its business registration, its total investment and registered capital, its mode of management and categories of business, the period of its business, the total number of its employees (including the number of foreigners), its total area of land and floor space, the name of its bank and the number of its account, the names of its manager and chief accountant, and other contents considered necessary, and be accompanied by a copy of the certificate of business registration.

The application of a foreign individual shall contain his full name, nationality, address, passport number, the date of issue of his certificate of stay or residence, and the period of his stay or residence, and it shall be accompanied by necessary documents.

The application for change or cancellation of tax registration shall be presented to the taxation institution, and it shall state the name of the business or the name of the individual as well as the reasons for the change or cancellation.

Article 6. A certificate of tax registration shall be issued to an applicant within 10 days from the date of his tax registration.

In case of change in the details of tax registration, another certificate shall be issued.

Article 7. Forms of documents used for tax administration shall be prescribed by the Ministry of Finance of the DPRK (hereinafter called the central financial supervisory organ).

Tax documents shall be filed in Korean.

Where a foreign language is used, Korean translation shall be given under each item.

Tax documents shall have the registered seals of the business, the manager and the chief accountant of the business.

Article 8. Bookkeeping of a foreign-invested business shall follow the laws and regulations governing it.

Documents related to tax administration (including relevant computer diskettes and CDs) shall be filed in the order of the date of transaction and be kept for 5 years from the creation of each document (until the termination of the business in case of financial statements and documents of fixed assets).

Article 9. Tax shall be calculated and paid in convertible currency at its exchange rate to Korean *won*, published at the corresponding date by the Foreign Trade Bank.

Article 10. Tax shall be paid directly by the tax payer or be deducted

and paid by an entity withholding incomes.

Article 11. Tax shall be paid to the account of the taxation institution with the relevant bank.

In case of tax payment, the tax return confirmed by the taxation institution shall be submitted to the relevant bank, and the bank shall receive and settle only such a tax return.

The bank shall issue a tax receipt to the direct payer or withholder (hereinafter called the tax payer) and a notice of tax payment to the taxation institution.

Article 12. Imposition of tax on, and its collection from, foreign-invested businesses and foreign individuals and control over their tax payment shall be undertaken by the taxation institution under the unified supervision and direction of the central financial supervisory organ.

Article 13. The foreign individual wishing to return to his country (except a temporary exit) shall be allowed to go through the exit formalities only when he carries a document certifying his tax payment.

Article 14. If any tax-related agreement concluded between the Government of the DPRK and the government of their country contains tax provisions that differ from those stipulated in these regulations, foreign investors and foreign individuals may pay taxes in accordance with such agreement.

A foreign investor includes a corporate body and an individual of a foreign country that have made investment in the territory of the DPRK.

Chapter 2. Enterprise Income Tax

Article 15. A foreign-invested business shall pay enterprise income tax on the income from business activities and other incomes earned within the territory of the DPRK, as well as on the income earned outside the DPRK.

Article 16. Enterprise income tax shall be levied on the followings:

1. Income from business activities of a foreign-invested business in the territory of the DPRK comprises the proceeds of sale of products in the industrial, agricultural and fishery sectors, incomes from construction, prospecting and development projects, charges for transport, telecommunications and electricity, the proceeds of sale of commodities in commercial sectors (including trade), interests and commissions in financial sectors, the proceeds of sale of foodstuffs and service fees in the sectors of public catering, service and amusement, as well as incomes from other business categories.

2. Other incomes earned by a foreign-invested business inside the DPRK comprise incomes from activities not directly related to main business categories-interests, dividends, incomes from lease of fixed assets and from sale of property, income from transfer of intellectual property rights and technical know-how, income from management-related service, income from

donation, as well as other incomes.

3. Incomes of a foreign-invested business outside the DPRK comprise incomes from its branches, agencies, representative offices and subsidiaries and other incomes earned outside the DPRK.

Article 17. The financial year for enterprise income tax collection begins on January 1 and ends on December 31 of each calendar year.

For the first year in which the foreign-invested business starts its operation, 'the year for tax payment shall be from the date of operation to December 31 of the same year, and for the last year in which it is dissolved, the year for tax payment shall be from January 1 to the day of dissolution.

Article 18. Enterprise income tax shall be applied to the net profit, which remains after the deduction of turnover tax or business tax and other expenditures from the gross profit, which shall be determined by deducting costs from gross revenue, or to incomes.

The gross revenue comprises the income of a foreign-invested enterprise from business activities and other incomes within the DPRK, as well as its income earned outside the DPRK.

Cost consists of:

1. In case of industrial sectors, costs of raw and other materials, fuel and power, wages, depreciation cost, expenses of purchase, development of new brands, overhead expenses of the factory and company, insurance premium and expenses of sale,

2. In case of agriculture, costs of seeds (including eggs and tree seedlings), fuel and power, wages, insurance premium, costs of feed, chemicals, quarantine service and veterinary medicine, expenses of other materials and irrigation, depreciation cost, purchasing costs of young domestic animals and materials, expenses of auxiliary sectors, overhead expenses of the workteam, other management fees and expenses of sale,

3. In case of the construction sector, costs of materials, wages, insurance premium, operation cost of construction machinery, depreciation cost, costs of fuel and power, and overhead expenses of the business,

4. In case of transportation, costs of materials, fuel and power, wages, insurance premium, depreciation cost and overhead expenses,

5. In case of commercial sectors, the purchasing cost of commodities and costs of circulation (transportation, storage, packaging, waste of containers and their repair, natural decrease of commodities, fuel and electricity used for operation, wages, expenses of procedures for marketing abroad, furniture and office units, heating, lighting, water, secretarial work, telecommunications, and costs of travel, advertising, public relations, labour protection, cultural and recreational facilities, interests on loans, insurance premium and other costs), and

6. In case of service sectors, purchasing costs of raw materials for foodstuffs and circulation costs.

Other expenditures include losses caused by changes in exchange rates,

non-performing loans caused by corporate bankruptcy, and costs of re-processing and re-packaging for the marketing of commodities which are accumulated due to narrow access to markets.

Article 19. For the business which takes more than one year in undertaking a construction project, assembling or installation work, or in processing or manufacturing a heavy machine and equipment, enterprise income tax shall be imposed in each financial year on the remainder after deduction of expenditures from the revenue created according to the amount of work performed during the same year.

Article 20. The rates of enterprise income tax shall be:

1. 25per cent of the taxable income of a foreign-invested business (20 per cent in case of a business funded by an overseas Korean holding the citizenship of the DPRK),

2. 14per cent of the taxable income of a foreign-invested business operating in the Rason economic and trade zone (10 per cent in case of a business funded by an overseas Korean with the citizenship of the DPRK),

3. 10per cent of the taxable income of a foreign-invested business engaged in the State-encouraged sectors--high technology, development of underground resources, infrastructure construction, scientific research and technological development (hereinafter called the priority sectors), and

4. 20per cent of the amount of other incomes of a foreign-invested business (10per cent inside the Rason economic and trade zone).

Article 21. Enterprise income tax shall be calculated by applying the rate set either to the taxable income or to the amount of income.

Article 22. An estimated amount of enterprise income tax shall be paid for each quarter and the full amount shall be settled at the end of the year.

Where it is impossible to calculate the exact figures for any quarterly taxable income, the estimated amount equivalent to 25 per cent of the income tax paid for the previous year shall be paid. In case of the business of a seasonal character, the estimated amount may be paid at the end of the year, regardless of the quarter.

Article 23. Enterprise income tax shall be paid within 15 days of the first month of the following quarter. Prior to tax payment, a foreign-invested business shall submit the tax returns and financial statements to the taxation institution.

The enterprise income tax return shall state the name of its bank, number of its account, its taxable income, tax rates, the amount of tax to be paid and so on.

The financial statement shall consist of a balance sheet, cost accounts, sales profit accounts, profit distribution accounts, a statement of fulfilled quotas of payment to the State, profit and loss accounts, overhead expenses accounts, depreciation accounts and so on.

Article 24. A foreign-invested business shall, within 2 months from the end of each financial year, submit the enterprise income tax returns for the

year and the year's financial statements audited by an office concerned to the taxation institution, before paying enterprise income tax for the year.

The annual settlement of the income tax shall be made through either a refund of the overpaid amount or an additional payment of the shortfall.

Article 25. In case of dissolution due to the termination of an enterprise, decision by a court or due to unavoidable reasons such as natural disasters, the foreign-invested business shall, within 20 days of the declaration of dissolution, have 50 per cent of the payable enterprise income tax retained by the taxation institution as a guarantee for tax and, within 15 days of the decision of the liquidation plan, pay the enterprise income tax.

The tax security can be used for the payment of tax.

In case of merger or break-up, the foreign-invested business shall settle accounts of the enterprise income earned till then and pay enterprise income tax within 20 days of the declaration of the event.

Enterprise income tax outstanding to be paid by a foreign-invested business that is dissolved, integrated or separated shall have priority over its other liabilities.

Article 26. Payment of enterprise income tax may be made by withholding.

The withholder shall, within 15 days from the payment of its earnings, pay enterprise income tax with an enterprise withholding tax return.

The enterprise withholding tax return shall state the name of its bank, number of account, items of the payment, amount of the payment, tax rates, amount of tax to be paid and so on.

Article 27. Enterprise income tax on the other incomes of a foreign enterprise shall be withheld and paid, together with the enterprise withholding tax return, by the withholding organ within 15 days from the creation of the incomes.

Article 28. Enterprise income tax on the income earned by a branch of a foreign-invested enterprise shall be paid by the head office through consolidation.

In case enterprise income tax rates to be applied to the head office and branches of a foreign-invested business vary due to differences in categories of business and locations, these different rates shall be applied respectively.

The gross revenue of a foreign-invested business shall not include the incomes of its branches.

Where enterprise income tax on the income earned by establishing a branch outside the territory of the DPRK has been paid in the country concerned, it may be deducted.

In case the amount of enterprise income tax paid by it abroad is equivalent to or less than the sum calculated on the basis of the tax rates stipulated in these regulations, the amount which has been actually paid shall be deducted, and in case the amount paid is greater than the amount calculated, the surplus shall not be deducted.

Article 29. Preferential treatment accorded to a foreign-invested business shall be as follows:

1. Tax may not be imposed on the dividends earned by a foreign-invested enterprise through business activities inside the DPRK,

2. In case the government of a foreign country or an international financial organization grants loans to the government of the DPRK or a State bank, or in case a foreign-invested bank gives loans to a bank or an enterprise of the DPRK on favourable terms such as low interest rates (lower than the LIBOR) and the return period of at least 10 years including a grace period, the enterprise income tax on the interest on the loan may be exempted,

3. The foreign-invested business which operates for at least 10 years either in the priority sectors or in the manufacturing sector inside the Rason economic and trade zone may receive immunity from enterprise income tax for 3 years from the first profit-making year and reduction of up to 50 per cent during the 2 ensuing years,

4. The foreign-invested business which is engaged in service sectors in the Rason economic and trade zone and continues its operation for at least 10 years may receive immunity from enterprise income tax for 1 year from the first profit-making year and reduction of up to 50 per cent during the 2 ensuing years.

Enterprise income tax may be exempted or reduced on an income earned by a financial business through offshore banking transactions, and

5. For a foreign-invested business that makes a total investment of at least 60,000,000 *won* in infrastructure construction projects such as railways, roads, telecommunications, airports and seaports inside the Rason economic and trade zone, enterprise income tax may be exempted for 4 years from the first profit-making year and reduced up to 50 per cent during the 3 ensuing years.

Article 30. In case a foreign investor reinvests his legal profits from business to increase his registered capital inside the territory of the DPRK or establishes another foreign-invested enterprise and runs it for more than 5 years, 100 per cent (in the infrastructure construction sectors) or 50 per cent (in the other sectors) of the enterprise income tax which has been paid on the reinvested portion of the profit may be refunded or deducted from the enterprise income tax to be paid next time.

In this case, a relevant application shall be submitted to the taxation institution, with the document stating the amount of reinvestment and the period of operation confirmed by the business screening organ.

In case the reinvested capital is withdrawn within 5 years of the start of operation, the enterprise income tax which has been refunded shall become payable.

Article 31. The period of enterprise income tax exemption or reduction shall be calculated in a continuous way from the first profit-making year.

Article 32. In case of a loss, a foreign-invested business can carry

forward its loss to the next year, and, if it fails to do so, it can continue to carry it forward every year provided that the period shall not exceed 4 years.

Article 33. A foreign-invested business wishing to have its enterprise income tax exempted or reduced shall submit a relevant application to the taxation institution for review and approval.

The application shall state the title and address of the business, categories of business, the year in which profit has been made, the amount of total investment, the name of its bank, the number of its account and so on, and be accompanied with a document confirmed by the relevant business screening organ.

Article 34. In case the foreign-invested business which has been granted the exemption or reduction of enterprise income tax withdraws or is dissolved within 10 years of the grant, or in case it fails to make due investment or is engaged only in the service business instead of the licensed manufacturing business, it shall repay the enterprise income tax which has been exempted or reduced.

Chapter 3. Personal Income Tax

Article 35. Any foreign individual who earns income inside the territory of the DPRK shall pay personal income tax.

A foreign individual who stays or resides for more than 1 year inside the DPRK shall pay tax also on his income earned outside the DPRK.

In case of temporary exits during stay or residence, these days shall be included in the period of the stay or residence.

Article 36. Income on which personal income tax is payable comprises labour remuneration, incomes from interest, dividends, the lease of fixed assets, the sale of property, the licensing of intellectual property rights and technical know-how, management-related service and from donation, as well as other personal incomes.

Labour remuneration comprises wages, bonus, bounty, allowance and incomes from such work as lecture, address, writing, translation, designing, drawing, installation, embroidery, sculpture, painting, creation work, art performance, accounting, sports, medical service and consultation; interest means interest on deposits and credits; and dividends comprise income from the distribution of profits and so on.

Incomes from the lease of fixed assets and the sale of property mean incomes from the lease or sale of such property as buildings, machinery, equipment, vehicles and vessels. Royalties from intellectual property rights and technical know-how comprise incomes earned by the owner of a patent, utility model, industrial design and trademark through their licensing or transfer, incomes from the furnishing of technical literature and knowledge, skills, qualifications or experiences which have not gone through formalities for obtaining patent rights or which have not been made public, and incomes

from the licensing of literature and art works such as novels, poems, painting, music, dance, film and drama.

Income from management-related service means income from the rendering of such service; income from donation comprises incomes from the donation of property and property rights including cash, property in kind, intellectual property rights and technical know-how.

Article 37. In case the income on which personal income tax is payable takes the form of property in kind or securities, the amount of income shall be considered to be equivalent to its purchasing price prevailing at the time of purchase.

Article 38. Personal income tax rates shall be as follows:

1. Tax on the income from remuneration shall be exempted if the monthly amount of income is lower than 1,000 *won*, and tax rate shall be 5-30 per cent of the amount of income if it exceeds 1,000 *won*,

2. In case of incomes from interest, dividends, the lease of fixed assets (after deduction of 20 per cent for the costs of labour and packing and commissions), royalties from intellectual property rights and technical know-how, and from management-related service, the tax rate shall be 20 per cent of the amount of incomes,

3. Tax rates on the income from the sale of property shall be 25 per cent of the amount of income, and

4. Tax on the income from donation shall be exempted if the amount of income is not greater than 10,000 *won*, and 2-15 per cent if it is greater than 10,000 *won*.

Article 39. Personal income tax shall be calculated by applying the respective rates on the incomes on which the tax is payable.

Article 40. Personal income tax shall be paid in the following manner:

1. Personal income tax on labour remuneration shall either be calculated each month and paid within 5 days after the pay of remuneration by the withholding organ, or be directly paid by the tax payer within 10 days after the day of remuneration,

2. Personal income tax on the income earned from the sale of property inside the DPRK by the tax payer living outside the DPRK shall be paid by the withholding organ, and personal income tax on the incomes earned from the sale of property and donation by the tax payer living inside the DPRK shall be paid directly by him within 10 days of the first month of the next quarter,

3. Personal income tax on the incomes earned from interest, dividends, the lease of fixed assets, royalties from intellectual property rights and technical know-how and from management-related service inside the DPRK by the person living outside the DPRK shall be paid by the withholding organ, but be paid directly by the person within 10 days of the first month of the next quarter if he is inside the DPRK, and

4. The withholder shall keep the papers of the calculated personal withholding tax.

Article 41. Personal income tax on the income earned by a foreign individual outside the DPRK shall be calculated quarterly and paid directly by him within the first month of the quarter after an income has been made.

In case a tax payer has already paid personal income tax outside the DPRK, he may apply for deduction within the limits of the amount of income tax calculated in these regulations.

The application for deduction shall state the relevant contents and be accompanied with the original of the tax return issued by the taxation institution of the country in question.

Article 42. A foreign investor or individual shall not pay personal income tax on the following incomes:

1. Incomes on which personal income tax is not payable in accordance with an agreement reached between the Government of the DPRK and the government of his country,

2. Interests on saving deposits and insurance compensation received from a financial institution of the DPRK,

3. Interests on deposits made by non-residents at banks which are engaged in offshore banking within the Rason economic and trade zone, and

4. Deducted or exempted sums approved by the taxation institution in case the foreigner receives wages in his country, not inside the DPRK.

Chapter 4. Property Tax

Article 43. A foreign individual shall pay property tax on buildings, vessels and airplanes which are owned by him inside the territory of the DPRK.

Buildings comprise houses, residential flats, villas and attached buildings, and vessels and airplanes comprise those for private use.

Article 44. Property tax shall be paid by the owner.

Even if the property in question has been leased or mortgaged, the property tax shall be paid by the owner.

In case the owner of the property is absent on the spot, the property tax shall be payable by its keeper or user.

Article 45. A foreign individual who owns a building, vessel or airplane inside the territory of the DPRK shall register the property with the taxation institution within 20 from the day of its purchase.

In case the person who has inherited property or to whom property has been donated is outside the territory of the DPRK, its owner or keeper shall register the property.

An application for property registration shall be submitted.

The application shall contain the name, nationality, citizenship and address of the applicant, the name of the property, its unit, quantity, floor space, initial value, the cost of overhauling, designed lifespan, the period during which it has been used, the year of construction (manufacturing), the price assessed and so on.

Article 46. The value of the property in registration shall be estimated by a price assessment institution and attested by a notary's office.

Article 47. The registered property shall be re-assessed as of January 1 of every year and, within the ensuing 30 days, be re-registered with the taxation institution at the price attested by a notary's office.

Article 48. In case the owner of or the registered value of the property has changed or in case the property has been scrapped, due procedures shall be completed for the change or the cancellation of the registration through the attestation by a notary's office within 20 days from that day.

Article 49. The tax base for property tax shall be the value of the property registered with the relevant taxation institution.

Article 50. Property tax rates shall be 1 per cent of the registered value of a building and 1.4 per cent of that of a ship or airplane.

Article 51. Property tax shall be calculated by applying the set rate to the registered value.

Article 52. Property tax shall be paid within 20 days of the first month of the next quarter.

In case it is impossible to pay property tax within the set period of time due to unavoidable circumstances, the payment may be postponed or made in addition to the payment for the next quarter with the consent of the relevant taxation institution.

Article 53. For a building purchased or built by a tax payer within the Rason economic and trade zone with his capital, the property tax shall be exempted for 5 years from the month of its purchase or completion.

Chapter 5. Inheritance Tax

Article 54. A foreign individual who has inherited property located inside the territory of the DPRK shall pay inheritance tax.

In case a foreign individual residing inside the DPRK has inherited property located outside the DPRK, he shall also pay tax on it.

Properties inherited comprise such properties and property rights as personal and real estates, cash, securities, deposits, savings, insurance money, intellectual property rights and credits.

Article 55. The tax base for inheritance tax shall be the remaining value after deduction from the inherited property of its former holder's liabilities (including the cost of funeral ceremony covered by the inheritor, cost of preservation and management of the property incurred during the period of inheritance and notary fees related to inheritance), and the tax shall be calculated by applying the rate of 6-30 per cent of the remainder after deduction of the former holder's liabilities.

In case the former holder's liabilities are to be deducted, it shall be attested by the notary's office.

Article 56. The price of the property inherited shall be the local price of

the property at the time of inheritance.

In this case, its assessment shall be attested by an office concerned.

Article 57. Inheritance tax shall be paid in cash.

In case it is to be paid in kind for unavoidable circumstances, an application stating the reasons, the kind of property, its value and other necessary items shall be filed to the relevant taxation institution for approval.

In this case, the property in kind for the payment shall be part of the property inherited.

Article 58. The inheritor shall, within 30 days of inheritance of property, submit to the taxation institution the inheritance tax return stating the amount of inherited property, the amount of deduction, taxable amount, the amount of inheritance tax and other relevant items, accompanied with the application for inheritance tax deduction attested by an office concerned, and thereafter pay inheritance tax. (In case there are more than 2 inheritors of the same property, inheritance tax shall be paid separately by each for his own share.)

The application for inheritance tax deduction shall contain the name and address of the inheritor, items and amounts of deduction, and other items.

Article 59. In case the amount of inheritance tax exceeds 50,000 won, the payment may be staggered for 3 years by presenting an application to the relevant taxation institution.

Chapter 6. Turnover Tax

Article 60. A foreign-invested business engaged in the production sectors shall pay turnover tax.

The production sectors comprise industry, agriculture and fishery.

Article 61. The tax base of turnover tax is the proceeds of sale of industrial products, agricultural and livestock produce and marine products.

Article 62. Turnover tax rates shall be 1-15 per cent of the proceeds of sale of produce (16-50 per cent in case of the products on which the State places limitations or luxury articles).

Tax rates for detailed classification of items shall be set by the central financial supervisory organ on the basis of the rates for different categories of business.

Article 63. Turnover tax shall be calculated by applying the set rates to the proceeds of sale of different kinds of produce.

A foreign-invested business engaged both in the production and service sectors shall calculate turnover tax and business tax separately.

Article 64. A tax payer shall calculate turnover tax each month and pay it to the relevant taxation institution within 10 days of the next month.

The tax of a business engaged in the sector of a seasonal character may

be calculated and paid annually.

Article 65. In case a foreign-invested business operating in the production sector exports its products or sells them inside the territory of the DPRK as requested by the State, the turnover tax may be exempted.

Article 66. For a foreign-invested business engaged in the production sectors inside the Rason economic and trade zone, turnover tax shall be reduced by 50 per cent.

Chapter 7. Business tax

Article 67. A foreign-invested business operating in the service sectors (including the construction industry) shall pay business tax.

Article 68. Business tax shall be based on the charges for service in the sectors of transport, power generation, commerce, trade, finance, insurance, tourism, advertising, hotel, restaurant, recreation and hygiene and public service, as well as incomes from the delivery of buildings in the construction sector, and the difference between interests on loans and interests on deposits.

Article 69. Business tax rates shall be as follows:

1. 2-4per cent of the incomes in the sectors of construction, transport and power generation,

2. 3-5per cent of the earnings in the sectors of finance and insurance, and

3. 4-10per cent of the incomes in the sectors of commerce, trade, hotel, restaurant, recreation and hygiene and public service. Tax rates for detailed classification of items shall be set by the central financial supervisory organ on the basis of the rates for different categories of business.

A foreign-invested business or a foreign individual engaged in several categories of service shall calculate business tax separately for each category.

Article 70. Business tax shall be calculated by applying the set rates to the monthly earnings of each category and be paid by the tax payer within 10 days of the next month.

Article 71. A foreign-invested business may be favoured with exemption from or reduction of business tax with the consent of the taxation institution in the following cases:

1. In case a foreign-invested business operating in the sector of construction, transport or power generation renders service for an institution or enterprise of the DPRK at the request of the State, or in case a foreign-invested bank gives a loan to a bank, institution or enterprise of the DPRK on favourable terms such as low interest rate and return period of at least 10 years including a grace period, business tax may be exempted or reduced,

2. In case a foreign-invested business undertakes infrastructure construction inside the Rason economic and trade zone, business tax may be exempted, and

3. In case a foreign-invested business is engaged in the service sectors (except commerce, restaurant and recreation) inside the Rason economic and trade zone, business tax may be reduced by 50 per cent.

Chapter 8. Local Taxes

Article 72. A foreign-invested business and a foreign individual shall pay local taxes.

Local taxes shall be imposed also on a foreign individual engaged in economic transactions while residing outside the Rason economic and trade zone.

Local taxes include city management tax, tax on the use of vehicles and the like.

Article 73. Local taxes shall be imposed for the purpose of managing such public facilities as parks, roads and waste disposal system in the local area.

Article 74. The base of city management tax shall be the total amount of monthly wages in case of a foreign-invested business and the total amount of monthly income including labour remuneration, interests, dividends, proceeds of lease or sale of property in case of a foreign individual.

Article 75. City management tax shall be calculated and paid in the following manner:

1. A foreign-invested business shall pay 1 per cent of the total amount of monthly wages within 10 days of the next month, and

2. A foreign individual shall pay 1 per cent of his monthly income within 10 days of the next month, either by himself or by the withholding organ.

Article 76. The foreign-invested business and the foreign individual that own vehicle shall pay vehicle tax for its use.

Vehicle comprises car, bus, lorry, motorcycle and special vehicle.

Special vehicle comprises crane car, tanker, cement carrier, forklift, excavator, bulldozer, tractor and so on.

Article 77. A foreign-invested business and a foreign individual shall, within 30 days of purchasing a vehicle, submit an application for tax registration for the use of the vehicle to the relevant taxation institution.

The application for tax registration for the use of vehicle shall state the name, nationality, citizenship and address of the owner, the licence number and type of the vehicle, the number of seats or loading weight, the date of acquisition, and other relevant items.

Article 78. Vehicle tax shall be calculated by applying 20-220 won per vehicle or per seat and per ton of loading weight, and be paid by the owner within February of each year.

Article 79. In case the vehicle is not used continuously for more than 2

months, declaration may be made to the taxation institution to have the vehicle tax exempted for this period.

Chapter 9. Sanction and Petition

Article 80. The taxation institution shall enforce strict supervision and control to prevent any deviations in the imposition, collection and payment of tax.

A foreign-invested business and a foreign individual shall present in time the documents and information as requested by the taxation institution and accord it every convenience.

Article 81. In case a foreign-invested business and a foreign individual fail to pay tax within the specified time limit, the taxation institution shall levy a penalty of 0.3 per cent per day of the overdue taxes beginning from the next day of the deadline for tax payment.

In case they fail to pay tax for 30 days after the deadline for tax payment, the taxation institution may hold property equivalent to the overdue taxes as collateral or force their banks to pay the overdue taxes.

Article 82. The taxation institution shall fine a foreign-invested business, a foreign individual and a withholding organ in the following cases:

1. Fines of up to 2,000 *won* in case of failure to complete tax procedures, or to submit income tax returns, income tax deduction returns, or financial statements in time,
2. Fines of up to twice the amount due for short payment or non-payment of taxes by a withholding organ, and
3. Fines of up to 4 times of the tax due in case of tax evasion.

Article 83. In case a foreign-invested business earns illegal income through profit-making activities outside of the licensed category of business, the income shall be confiscated.

Article 84. In case of violations of these regulations, penalties like business suspension or fining shall be levied, and, in extreme cases, criminal action shall be taken.

Article 85. The foreign-invested business or the foreign individual that has complaints or grievances regarding tax payment may present a petition within 30 days of the day on which the tax is paid.

The petition shall be presented to the organ superior to the institution that has collected the tax.

Article 86. A petition shall be settled within 30 days of its receipt.

The foreign-invested business and the foreign individual, who are dissatisfied with the settlement of the petition, may bring the case to the relevant court within 10 days after the settlement.

THE CUSTOMS LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA

Adopted by Resolution No. 7 of the Standing Committee of the Supreme People's Assembly on October 14, 1983, amended by Resolution No. 1 of the Standing Committee of the Supreme People's Assembly on February 26, 1987, amended by Resolution No. 24 of the Standing Committee of the Supreme People's Assembly on May 17, 1990, amended by Resolution No. 41 of the Standing Committee of the Supreme People's Assembly on November 17, 1993, amended by Decree No. 382 of the Presidium of the Supreme People's Assembly on January 28, 1999, and amended by Decree No. 2468 of the Presidium of the Supreme People's Assembly on July 26, 2001

Chapter 1. Fundamentals

Article 1. The Customs Law of the Democratic People's Republic of Korea is intended to ensure a strict order and discipline in customs clearance and inspection and imposition of customs duty to contribute to strengthening customs inspection and implementing correctly the policy of customs duty.

Article 2. The customs formalities are compulsory to institutions, enterprises, associations and citizens to whom this law is applied. The State shall, in line with the development of the actual situation, set specific customs procedures to be followed and ensure their proper implementation.

Article 3. The State shall improve the methods of customs inspection and modernize the means of inspection so as to strengthen the inspection on cargoes, international postal matter, personal effects and transport means which move across the border.

Article 4. The State shall apply either zero or low tariff on materials whose import and export are encouraged and high tariffs on materials whose import and export are discouraged.

Article 5. In the DPRK guidance on the customs affairs shall be given in a unified way by the central customs guidance organ.

Article 6. The State shall promote exchange and cooperation with other countries and international organizations in the area of customs work.

Article 7. This law shall be applied to institutions, enterprises, associations and citizens that are in charge of cargoes, commodities and transport means moving cross the border of the DPRK.

This law shall also be applied to the permanent representative offices of foreign countries and international organizations accredited to the DPRK as well as to citizens of foreign countries who travel across the border of the DPRK.

The procedure of customs work in a special economic zone shall be defined separately.

Chapter 2. Customs Formalities

Article 8. The customs formalities shall be applicable to institutions, enterprises, associations and citizens that bring cargoes, commodities and transport means into or take them out of the DPRK.

The institutions, enterprises, associations and citizens in question shall submit to the customs documents needed for procedures.

Article 9. A citizen who enters or leaves the DPRK shall, on arrival at a border route, a trade port or an international airport, declare to the customs his personal effects, currencies, securities and luggage.

Article 10. The completion of customs formalities on transit cargoes which pass border stations and trade ports of the DPRK shall be performed by the institution which is responsible for the transshipment of the cargoes.

In order to transship cargoes which are not allowed to enter the DPRK, approval shall be obtained from the Cabinet.

Article 11. Customs procedures for the cargoes on a foreign ship which transits a trade port of the DPRK shall be completed by its master.

In this case, the master shall produce the list of cargoes aboard to the customs.

Article 12. Cargoes, commodities and transport means moving across the border of the DPRK shall be brought in or taken out only through the places where a customs is located.

In case, for unavoidable reasons, the movement is to be conducted at a place where the customs is not located or when materials are to be exchanged with a foreign country within the territorial waters of the DPRK, approval shall be obtained from the relevant institution before the customs procedures are completed.

Chapter 3. Customs Inspection

Article 13. The customs shall inspect cargoes, international postal matter, personal effects and transport means which are brought into or taken out of the DPRK.

Cargoes, international postal matter, personal effects and transport means which have not been inspected by the customs shall not be allowed to enter or leave the DPRK.

Article 14. Customs inspection shall be done at border routes, trade ports, international airports, international post offices and other specified places.

Customs inspection on personal effects of citizens may be done in a train or on a ship.

The customs may, as stipulated, provide mobile inspection service or inspect cargoes of a foreign country which pass the territory of the DPRK.

Article 15. The customs may request the relevant institution at the

place of destination to inspect large-sized equipment and containers that are imported. In this case the owner of the said cargoes shall declare them in time to the relevant institution upon their arrival.

The institution which has been requested to perform customs inspection shall inspect in a responsible way the cargoes declared and report the result to the customs.

Cargoes whose customs inspection has been requested shall not be unloaded in the middle of their transportation nor their destination be changed.

Article 16. The customs may inspect cargo compartments, passenger compartments, crew's quarters and other places in the transport means, which need to be inspected.

If articles which are not allowed to enter the DPRK and controlled articles are found during inspection, the customs may put them in a cargo compartment and seal it.

The seal shall not be broken without the consent of the customs.

Article 17. The customs shall strictly supervise and control the transportation of materials to ensure that such contraband goods as weapons, ammunition, explosives, poison and drugs, controlled goods not approved by relevant institutions, and materials which are not included in the State foreign trade plan or for which license of import or export and license of taking into or out of the country have not been obtained are not brought into or taken out of the DPRK.

Article 18. The customs shall strengthen links with relevant specialized inspection institutions including foreign goods supervision institutions and quarantine institutions located at border routes, trade ports and international airports.

The customs may, if necessary, ask relevant specialized inspection institutions for an expert opinion.

Article 19. The customs shall constantly check the cargoes in the custody of the border stations, trade ports and bonded or duty-free warehouses to ensure that they are not damaged or lost.

Any cargo which has not been collected within the specified time limit or for which no claim has been made may be disposed of by the customs according to relevant procedures.

Article 20. Cargoes of a foreign country which have arrived at border stations, trade ports and international airports without any agreement reached with a foreign trade agency of the DPRK shall not be discharged without the consent of the customs.

Article 21. Cargoes of a foreign country and international postal matter which have been brought into the DPRK as a result of a wrong delivery and articles whose owner cannot be identified and extra goods can be disposed of only with the consent of the customs.

Article 22. Institutions, enterprises, associations and citizens that are subject to the customs inspections shall provide necessary conditions and be

present at the place of inspection.

Article 23. In order to move or take to another place cargoes and transportation means in the custody of the customs, institutions, enterprises, associations and citizens shall obtain approval from the customs.

Approval of the customs is also required in case of unpacking or repacking.

Article 24. In case cargoes in the custody of the customs happen to be unpacked or any other accidents occur, the cargo carrier or keeper shall immediately inform the customs of the accidents.

Article 25. Institutions, enterprises, associations and citizens shall not enclose currencies, securities or goods in letters and publications, letters or currencies in parcels that come in or go out of the DPRK.

Article 26. Citizens who travel across the border of the DPRK may take with them articles needed for business and life, and souvenirs.

A citizen who makes business trips across the border of the DPRK may take with him only office articles and daily necessities.

Article 27. Household goods and property inherited may be brought into or taken out of the DPRK without permission.

In case any items of the household goods or property inherited fall under the category of controlled articles, these items shall be allowed to bring in or take out only with the consent of the relevant institution.

Article 28. It is not allowed to bring in or take out materials through international mail for the purpose of sale.

Article 29. Customs inspection shall not be done on personal effects and hand luggage of members of Party, State and government delegations, members of international organizations and officials who are specially designated as well as on diplomatic postal matter and correspondence.

Notwithstanding the previous provision, customs inspection may be performed on those items when there is evidence to believe that they contain controlled and contraband articles.

Article 30. The customs may unpack the cargoes, international postal matter, and personal effects of citizens passing across the border for inspection.

Transportation means, the sites where cargoes are placed in custody and citizens suspected to be used for smuggling may be searched.

Chapter 4. Customs Duty

Article 31. The customs shall properly impose the customs duty and supervise and control its payment.

The customs may, if necessary, check up documents and papers of institutions, enterprises and associations related to the payment of customs duty.

Article 32. The standard price on which customs duty is levied shall be

the price of arrival at border in case of materials brought in by institutions, enterprises and associations, the price of delivery at border in case of materials taken out by them and retail price in case of international postal matter and materials which are brought in or taken out by citizens.

Tariff rate shall be set by the Cabinet.

Article 33. Calculation of customs duty shall be done in Korean *won* according to the tariff applied at the time when the relevant materials pass across the border.

Conversion of foreign currencies into Korean *won* shall be subject to the then exchange rate specified by the foreign exchange control organ.

Article 34. No customs duty shall be levied on the following items:

1. Gifts sent from a foreign country or an international organization to an organ concerned,

2. The traveler's articles whose quantity does not exceed the specified limit,

3. Materials brought in by a foreign-invested business for the purpose of production and management and materials produced and exported by a foreign-invested business,

4. Materials brought in for the purpose of processing trade, entrepot trade and re-export,

5. Materials for which no customs duty is payable pursuant to a treaty concluded with a foreign country, and

6. Materials which are separately specified by the State.

Article 35. Article 34 of this law shall not be applied in the following cases;

1. In case a member of a relevant delegation, an official with a diplomatic passport or a permanent representative office of a foreign country or an international organization brings in or takes out materials in larger quantities than the specified limit,

2. In case a foreign-invested business sells its products in the territory of the DPRK,

3. In case materials which have been brought in for the purpose of processing trade, entrepot trade and re-export are sold inside the territory of the DPRK, and

4. In case bonded materials are not delivered within the specified time.

Article 36. Where materials have been degenerated, damaged or lost, the customs may exempt wholly or partly the relevant duty according to the extent of degeneration, damage or loss.

Article 37. In case a treaty concluded between the DPRK and a foreign country contains a provision for preferential treatment in terms of tariff, the preferential tariff shall be applied.

Where no preferential treatment has been provided for in terms of tariff, ordinary tariff shall be applied.

In case the treaty specifies a tariff separately, this tariff shall be applied.

Article 38. For an article or item for which the tariff has not been set, the tariff for another article or item which is similar to the article or item in question shall be applied.

Article 39. Institutions, enterprises, associations and citizens shall pay customs duty according to the notice of customs duty payment.

The notice of customs duty payment shall be issued by the relevant customs

Article 40. International postal matter and baggage of a citizen whose quantities exceed the specified limit shall be delivered only after customs duty has been paid.

In this case customs duty shall be paid within the set period of time.

Article 41. Institutions, enterprises, associations and citizens shall pay customs inspection fee, custody fee, commission and the like in time.

Customs fee and commission shall be decided by the relevant institution.

Article 42. Institutions, enterprise, associations and citizens that have paid the customs duty exceeding the amount payable by them may request the customs within 1 year from the day of payment to refund the surplus.

In this case, the customs shall settle the case within 15 days.

Article 43. Where the amount of customs duty which has been levied is less than the amount payable or no customs duty has been levied as a result of miscalculation of the customs duty, the customs may impose the amount still outstanding within 1 year from the day when the material in question has been cleared.

Where the amount of customs duty which has been levied is less than the amount payable or no customs duty has been levied as a result of intentional miscalculation on the part of an institution, enterprise, association or citizen, the amount outstanding may be levied within 3 years from the day when the material in question has been cleared.

Article 44. Institutions, enterprises, associations and citizens shall use the materials for which customs duty has been exempted only for specified purposes.

In case they are planning to sell materials for which customs duty has been exempted, they shall declare it to the customs and pay the relevant customs duty.

Materials for which customs duty has not been paid shall not be sold or purchased.

Article 45. No customs duty shall be levied during bonded period.

Bonded period shall be 2 years in case of a bonded factory and bonded warehouse and be set by the customs in case of a bonded fair.

Article 46. The owner of a cargo who wishes to have the bonding period extended for unavoidable reasons shall submit to the customs a written application for the extension of the bonding period 10 days before the termination of the original period.

The customs may allow the bonding period to be extended by up to 6 months.

Article 47. Institutions, enterprises and associations wishing to take bonded materials out of a bonded area for the purpose of processing, packing and assembling shall put under the custody of the customs a security which is equivalent in value to the customs duty.

If the materials are brought in within the specified time limit, the customs shall return the security.

If the materials fail to be brought in within the specified time limit, the security entrusted to the customs may be used as a substitution for the payment of customs duty.

Chapter 5. Sanction and Petition

Article 48. In case customs duty has not been paid within 3 months after the issuance of the notice of customs duty payment, materials which are equivalent in value to the customs duty may be disposed of as a substitute for the payment of the customs duty.

In case no materials are available for disposal as a substitute for the payment of the customs duty, the customs duty may be withdrawn from the bank account of the institutions, enterprises, associations and citizens in question.

Article 49. Cargoes, international postal matter, personal effects of citizens and transportation means which are brought into or taken out of the DPRK in violation of the customs law and regulations may be detained or confiscated.

In case of severe offence, administrative or criminal proceedings shall be instituted against the responsible person.

Article 50. Any dispute arising in relation to the customs procedures, inspection and imposition of customs duty shall be settled through consultation.

In case it is impossible to settle the dispute through consultation, complaint may be laid with the customs office superior to the office in question.

The customs office which received the complaint shall settle the case within 20 days from its reception.

Article 51. A person who is not satisfied with the result of the settlement by the superior customs office may bring the case to a court within 10 days after the day of settlement.

THE LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON THE PROTECTION OF ENVIRONMENT

Adopted by Ordinance No. 5 of the Supreme People's Assembly on April 9, 1986, amended by Decree No. 488 of the Presidium of the Supreme People's Assembly on March 4, 1999, and amended by Decree No. 1676 of the Presidium of the Supreme People's Assembly on July 24, 2000

Chapter 1. Fundamentals

Article 1. Protecting environment is a noble work to provide the masses with an environment favourable for leading an independent and creative life.

The State shall always show close concern for protecting and managing environment so as to provide the people with healthy environment and hygienic working conditions.

Article 2. Protecting environment is an important work that must be a permanent undertaking in building socialism and communism.

The State shall adopt measures to consolidate the success achieved in the protection and management of environment and to improve environmental protection in step with the modernization of industry and other economic sectors, and shall increase investment systematically as required in implementing the measures.

Article 3. The State shall protect and manage environment on a long-term and planned basis in order to create an environment in the country that accords with the aspirations and desires of the people.

The State shall build cities and villages, and distribute factories and enterprises and other industrial facilities rationally, on the principle of protecting environment.

Article 4. Adopting thorough measures for preventing pollution prior to beginning production and construction is an important requirement for protecting environment.

The State shall ensure that institutions, enterprises and organizations take steps for preventing environmental pollution prior to beginning production and construction and that they steadily modernize their material and technical means for protecting environment.

Article 5. Protecting environment is a noble duty of all people.

The State shall intensify education of the people in socialist patriotism so that they take good care of the country's rivers, mountains, towns and villages and voluntarily take part in improving the protection and management of environment.

Article 6. The State shall develop scientific research for protecting environment from pollution, build up the scientific institutions that protect environment and strengthen guidance over them.

Article 7. Prohibiting development, testing and use of nuclear and chemical weapons and preventing any damage to environment are a consistent policy of the Democratic People's Republic of Korea..

The State shall fight against the devastation and pollution of environment through the development, testing and use of nuclear and chemical weapons on the Korean peninsula and in the surrounding area.

Article 8. The State shall develop exchange and cooperation with other countries and international organizations in the field of environmental protection.

Article 9. This law stipulates the principles of and regulations for preventing the devastation of environment such as pollution, noise, vibration, ground subsidence and bad odor in the air, water, soil and sea and providing a better environment.

Matters not specified in this law shall be subject to the laws and regulations concerned.

Chapter 2. Preservation and Improvement of Natural Environment

Article 10. Efficient preservation and improvement of natural environment is a requirement for providing the people with good living conditions and handing down a more beautiful and healthy environment to the generations to come.

All institutions, enterprises, organizations and citizens shall preserve the natural environment and improve and manage it so that it is conducive to the promotion of people's health and to their enjoyment of a cultural and emotional life.

Article 11. Reserves and special reserves such as nature conservation reserve, animal reserve, plant reserve and marine resources reserve shall be established for environmental protection.

The Cabinet shall be responsible for this.

Article 12. The land and environmental protection institutions and other institutions concerned shall regularly investigate and record changes in the natural environment such as those evident among animals and plants, those in the configuration of ground, in the quality of water and in climate, in these reserves and special reserves and take any necessary steps.

In the reserves and special reserves no act that is harmful to the preservation of the natural environment in its original state and to its protection and management shall be permitted.

Article 13. Institutions, enterprises, organizations and citizens shall refrain from cutting down ornamental trees in and around cities and villages, along roads and railways and on the banks of lakes and rivers, and from damaging or destroying the scenery, such as beauty spots, pine groves on beaches, swimming beaches, peculiar rocks and cliffs, attractive and

impressive physical features in mountainous areas and picturesque islands.

Article 14. Institutions, enterprises, organizations and citizens shall refrain from developing coal and ore mines in scenic spots, tourist resorts and holiday centres and from constructing buildings and facilities which impede the protection of environment, and shall preserve caves, waterfalls, the remains of old castles, natural monuments, as well as spots of scenic beauty and of historical interest, in their original state.

Article 15. Institutions, enterprises and organizations shall adopt appropriate measures to prevent damage to environment caused by the sinking of the ground when developing mineral resources and building underground structures.

Underground water shall not be drawn from places where damage may be caused by the sinking of the ground.

Article 16. Institutions, enterprises, organizations and citizens shall refrain from altering the balance of the biological world by damaging the habitats of wild and aquatic animals and by digging up rare plants at random.

Animals and plants that are specified by the State to be protected and increased shall not be caught or picked without permission from the land and environmental protection institutions.

Article 17. City management institutions and other relevant institutions, enterprises and organizations concerned shall lay out parks, recreation grounds and amusement parks in many places and plant trees and turf along roads, railways, rivers, around buildings, on the waste land around buildings and in public places.

Trees or grass that hinder the protection of environment shall not be planted in and around urban communities.

Article 18. The State shall establish the months for land and environmental protection such as general mobilization month for land management and months for planting trees and beautifying towns to improve land management and environmental protection on a mass basis.

The Cabinet shall be responsible for designating these months.

Chapter 3. Prevention of Environmental Pollution

Article 19. Preventing environmental pollution is a prerequisite for preventing damage to environment.

Institutions, enterprises and organizations shall comply strictly with the environmental protection standards such as the permitted limits for the protection of environment, the pollutant emission standards and noise and vibration standards.

Environmental protection standards shall be defined by the Cabinet.

Article 20. Where necessary, institutions, enterprises and organizations shall arrange gas and dust collector and air filters in buildings and facilities to

prevent the emission of gas, dust and bad odor, and maintain and repair furnaces, tanks, pipes and other facilities on a planned basis.

Boilers that have not undergone technical inspection cannot be operated.

Article 21. Vehicles which exceed gas and smoke emission limits, which raise dust by carrying unpacked goods or which are dirty shall be prohibited from use, and machines and equipment which exceed permitted noise and vibration standards shall be prohibited from operation.

People's security institutions shall strictly undertake technical inspection and control of the operation of vehicles to prevent the vehicles that discharge harmful gas beyond the emission limit from operation.

Article 22. When gas, dust and the like may seriously pollute the atmosphere under the influence of unusual weather conditions, the land and environmental protection agencies, and other relevant institutions, enterprises and organizations shall control or stop the use of relevant facilities and operation of vehicles.

Hydrological and meteorological institutions shall inform the organs concerned of unusual weather phenomena.

Article 23. City management institutions and other relevant institutions, enterprises and organizations shall establish waste removal facilities, remove leaves and garbage promptly, and refrain from burning them in the residential areas of cities and near main street. Collected garbage at dumping area must be carried away promptly.

Article 24. Institutions, enterprises and organizations concerned shall establish sewage treatment to purify wastewater, and prevent them from flowing into the sea, rivers, lakes, reservoirs, etc.

Article 25. City management institutions, and other relevant institutions, enterprises and organizations shall repair and improve waterworks regularly, filter and purify drinking water strictly to supply the inhabitants drinking water that meets the water quality standards.

No factory, enterprise, building or facility shall be built, and no herbicide, insecticide or other harmful chemicals shall be sprayed in the area surrounding water intakes, reservoirs and drainage outlets.

Article 26. No ship, either sailing or at anchor in the territorial waters and economic waters, at the ports, harbours, and barrages, on the rivers, lakes, and reservoirs, of the DPRK shall dump or dispose of oil, foul water or garbage.

Institutions of developing natural resources and other institutions, enterprises and organizations shall refrain from polluting the marine environment when developing marine resources or undertaking projects along seashores.

Article 27. Institutions, enterprises and organizations which are engaged in shipping shall provide their ships with pollution prevention equipment corresponding to their tonnage.

When inspecting ships, marine affairs control agencies shall strictly

examine the ships' equipment for pollution prevention.

Article 28. Institutions, enterprises and organizations which manage harbours, ports, barrages and docks shall provide themselves with facilities for disposing of sewage and refuse, and remove these from ships promptly. Any oil or filth floating on the water of the sea or river shall be purified or skimmed off.

Article 29. Institutions, enterprises and organizations concerned shall locate sewage works, rubbish and industrial refuse dumps in such places where there will be no threat of the contamination of the sea, rivers, lakes, reservoirs or sources of drinking water.

Earth-scraping areas, overburden dumps, coal depot, soot dumps, and slag heaps shall be so arranged as to avoid polluting the surrounding areas, and, when they are no longer being used, shall be buried under earth and planted with trees or used as farm land.

Article 30. Agricultural chemicals prohibited by the State because of their polluting effect on the air, water and soil or for their harmful effect on human life shall not be produced or imported.

Health and anti-epidemic institutions shall examine the noxious properties of all agricultural chemicals.

Article 31. Agricultural guidance institutions and other institutions, enterprises and organizations shall store and use agricultural chemicals as prescribed to prevent them from being blown away, or from flowing into rivers, lakes, marshes, reservoirs and the sea, and from being deposited underground.

Agricultural chemicals shall be sprayed by airplane only with the approval of the land and environmental protection institutions.

Article 32. Institutions and enterprises which produce or handle radioactive substances shall provide themselves with devices for filtering and purifying gas, dust, wastewater and refuse, and reduce their radioactivity to below the tolerable limit.

Institutions and enterprises that handle radioactive substances in open conditions shall regularly monitor the radioactive pollution in the surrounding area and take relevant steps.

Article 33. Institutions, enterprises and organizations concerned shall receive permission from the radioactivity control institutions or public security institutions. When they are going to produce, supply, carry, store, use or destroy radioactive matter, radioactivity control institutions shall regularly monitor possible environmental contamination elements and adopt any appropriate measures.

Article 34. No polluted foodstuffs, medicines, daily necessities and animal feed that have a harmful effect on public health and environmental protection shall be imported.

When institutions, enterprises, organizations and citizens import foodstuffs, medicines, daily necessities and animal feed, they shall be quarantined by relevant institutions.

Article 35. Waste products, equipment and technology that might damage environment because they emit harmful substances or make noise or vibrate shall not be imported or introduced into production.

Article 36. Institutions, enterprises and organizations shall regularly measure the quantities and densities of harmful substances emitted during production, as well as the intensity of noise and vibration, and reduce them systematically.

Harmful substances that exceed the permitted limit or are prohibited by the land and environmental protection agencies shall not be produced.

Article 37. Land and environmental protection institutions, local power organs and other institutions concerned shall relocate out of cities any factories and enterprises which cause pollution, move roads and railways for transporting goods either to areas outside residential quarters or underground, and relocate houses which are threatened by pollution to places where the environmental conditions are favourable.

In the city centres no factories or enterprises that can cause pollution or that require transportation of large volumes of goods shall be built and no buildings and facilities that have no pollution prevention equipment shall be used.

Chapter 4. Guidance and Management of Environmental Protection

Article 38. Improving guidance and control of environmental protection is an important requirement for thoroughly implementing the policy of the State of environmental protection.

The State shall strengthen its direction and control over the work of environmental protection as required by the developing situation.

Article 39. The central land and environmental protection organ shall give guidance to environmental protection under the unified direction of the Cabinet.

The central land and environmental protection organ shall establish a proper system for the guidance over environmental protection and constantly improve the guidance methods.

Article 40. Institutions, enterprises and organizations shall supply land and environmental protection institutions and other institutions concerned with the information they require and provide them with the working conditions they need.

State planning institutions, labour administration institutions, materials supply institutions, and financial and banking institutions shall promptly supply sufficient manpower, facilities, materials and funds for protecting environment.

Article 41. The central land and environmental protection organ shall establish a nationwide environment-monitoring system to regularly monitor

the state of environment, draw up annual plans for environmental protection and guide their implementation.

Article 42. Institutions, enterprises and organizations shall draw up designs and technical tasks from the point of view of environmental protection, have their impact on environment assessed by a land and environmental protection agency and obtain agreement of relevant organs.

Technical tasks and designs shall not be examined and approved unless environmental impact assessment has been made and an agreement has been reached by the organs concerned.

Article 43. Organs in charge of inspecting completed structures shall not pass structures that are not equipped with pollution prevention facilities.

Article 44. The central land and environmental protection organ, environmental protection science research institutions and other institutions concerned shall strengthen the work of scientific research for the prevention of environmental devastation caused by various factors and for the improvement of land and environment, and introduce the successful results into environmental protection.

Article 45. Educational institutions and the press shall disseminate scientific information related to environmental protection and educate the masses to protect environment by various ways and means, and give wide publicity to the successes achieved in environmental protection.

Article 46. Land and environmental protection institutions and other control agencies concerned shall be responsible for the control over environmental protection.

They shall strictly supervise the implementation of environmental protection policy.

Article 47. Those who have harmed the people's health and damaged the property of the State, social and cooperative organizations and citizens by destroying environment shall compensate for this.

Article 48. Foreign vessels or foreigners who have destroyed the environment in the territory of the DPRK shall be detained, fined, or they shall compensate for it.

Article 49. Projects under construction, operation of factories and running of vehicles that violate the environmental protection regulations shall be suspended, or the structures and facilities involved shall be removed, and the materials and money used confiscated and rehabilitation of the destroyed environment demanded.

Article 50. In case institutions, enterprises and organizations have brought about grave consequences by violating this law, the responsible officials and individual citizens shall be subject to administrative or penal punishment.

THE INSURANCE LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA

Adopted by Resolution No. 58 of the Standing Committee of the Supreme People's Assembly on April 6, 1995, amended by Decree No. 383 of the Presidium of the Supreme People's Assembly on February 4, 1999, and amended and supplemented by Decree No. 3038 of the Presidium of the Supreme People's Assembly on May 16, 2002

Chapter 1. Fundamentals

Article 1. The Insurance Law of the DPRK shall contribute to the establishment of a strict system and order in insurance so as to defend the rights and interests of the insurer and the insured and develop the country's economy and stabilize the people's life.

Article 2. Insurance shall be classified into personal insurance and property insurance.

The personal insurance shall include life insurance, accident insurance, child's insurance and passenger insurance, and the property insurance shall include fire insurance, marine insurance, agricultural insurance, liability insurance and credit insurance.

Article 3. The contract of insurance is the basis of insurance activity.

The State shall ensure that the insurer and the insured conclude a contract of insurance on an equal footing and perform it to the letter.

Article 4. The State shall ensure that insurance business is effected on the principles of voluntariness, compulsion and trustworthiness.

Article 5. Insurance business in the DPRK shall be undertaken by the State insurance administration institution and insurance companies.

In the special economic zone, foreign investors and overseas Korean compatriots may set up insurance companies and foreign insurance companies, their representative offices, branches or agencies.

Article 6. The State shall ensure that the institutions, enterprises, associations and citizens of the DPRK, and the foreign bodies, foreign-invested businesses and foreign individuals resident in the territory of the DPRK that are seeking insurance take out policies from the insurance companies in the territory of the DPRK.

Article 7. The State shall ensure that exchange and cooperation is promoted with foreign countries and international organizations in the field of insurance.

Article 8. International agreements on insurance approved by the DPRK shall take the same effect as that of this law.

Chapter 2. Contract of Insurance

Article 9. The contract of insurance shall be concluded in writing between the insurer and the insured.

The insured or the person who enters into the contract of insurance for the insured shall be a contractor of insurance.

Article 10. As agreed in the contract of insurance, the policy holder shall pay the premium to the insurer and the insurer shall pay the insurance money or insurance indemnity to the policy holder.

Article 11. The insured shall not make an insurance contract unless he has an insurable interest. Any insurance contract without the insurable interest shall not be concluded.

Article 12. Agreement shall be made in the insurance contract on the following items:

1. The name of the insurer,
2. The name and address of the policy holder,
3. The object insured,
4. The value insured,
5. The sum insured
6. The terms of insurance,
7. The duration of insurance and the date of beginning,
8. The premium and the method of its payment
9. The method of insurance compensation, and
10. Other necessary items.

Article 13. At the time of entering into the contract of insurance the insurer shall provide the standard terms of contract for the policy holder and explain the contents.

The policy holder shall make a true disclosure to the insurer of information related to the insurance contract.

Article 14. The insurance contract shall be concluded when the insurer who has received the application for the insurance contract agrees to it and issues the insurance policy.

The form of the insurance policy shall be regulated by the State insurance administration institution.

Article 15. Liability for the insurance compensation shall take effect from the moment when the insurer receives the total or partial amount of the premium from the policy holder as prescribed in the insurance policy.

The premium, upon the contract, may be paid either by lump sum or in instalments.

Article 16. If the policy holder fails to pay the premium within the prescribed period of time, the contract of insurance shall cease to be effective. The insurer may reduce the insurance money or the insurance indemnity pursuant to the relevant terms of the contract.

Article 17. In case the insurance contract ceases to be effective owing to the failure by the policy holder to pay the premium as prescribed in the contract, the policy holder may consult with the insurer to have the contract come into force again by paying the relevant amount of premium.

In case an agreement cannot be made on the recovery of the contract, the insurer may cancel the said contract.

Article 18. The insurer and the policy holder may consult and modify the contract within the term of the contract, except the insurance which is unmodifiable. The contents shall be clarified in the application for the insurance contract and the insurance policy.

Article 19. The policy holder, in agreement with the insurer, may cancel the whole or part of the contract at any time before the insured events occur.

Accident insurance, marine insurance and the like shall not be cancelled.

Article 20. In case the policy holder causes an accident deliberately or demands insurance compensation on false return, the insurer may cancel the insurance contract, provided that the premium shall not be refunded.

Article 21. The reinsurance contract shall be concluded upon the approval of the State insurance administration institution. The reinsurance contract shall not affect the original insurance contract.

Article 22. The insurance contract that damages the interests of the society and the collective or that is concluded in an illegal way shall not take effect.

The contract concluded after the insured event has taken place shall not take any effect, either.

Article 23. The insurer may claim compensation to the third party on the insured event caused by the latter's faults, provided that the policy holder submits necessary evidence.

Article 24. The claim for the insurance compensation shall be made within the period prescribed in the contract.

Article 25. The contract of insurance may be concluded through a middleman. The middleman shall conclude the contract for the person who wants to enter into an insurance contract.

Article 26. The insurance middleman shall conduct his business upon approval of the State insurance administration institution.

The middleman shall be held liable for any loss he has caused to the policy holder by his fault.

Chapter 3. Personal Insurance

Article 27. The object of personal insurance shall be the life or body of the insured.

Except the child's insurance, the persons authenticated to be incompetent in civil procedure shall not be entitled to enter into a contract of

personal insurance.

Article 28. The insurer shall pay the specified amount of insurance money in case the policy holder of life insurance or child's insurance is dead.

If the contract expires, the insurer shall make a maturity repayment to the policy holder who had paid the full amount of premium.

Article 29. Except the policy holder, the person who has —the right of claims for the insurance money, shall be an insured beneficiary.

The insured beneficiary shall be selected by the insured.

Article 30. In case the policy holder covered by the passenger insurance or accident insurance dies or becomes disabled, the insurer shall pay the appropriate insurance money.

The relevant medical organ shall examine whether or not the insured is capable of work..

Article 31. In case a person enters into the insurance contract on condition of another person's death, the former shall obtain the latter's agreement in writing.

The transfer of the right obtained by the insured event to a person other than the insured shall also necessitate the latter's agreement in writing.

Article 32. Concerning the insurance concluded on condition of death, the insurer shall pay the insurance compensation even if the accident has been caused by the fault of the policy holder or the insured beneficiary.

Article 33. Any replacement of the insured beneficiary shall be notified to the insurer in writing.

The insurer, upon receiving information of the replacement of the insured beneficiary, shall specify the fact in the application for the insurance contract.

Article 34. In case several persons are selected as insured beneficiary the distribution rate of insurance money shall be set individually.

The rate may be set equally on agreement.

Article 35. A death benefit shall be paid to the heir of the policy holder in the following cases:

1. An insured beneficiary has not been decided on,
2. An insured beneficiary died earlier than the policy holder and no other beneficiary has been decided on, or
3. Although the insured beneficiary has lost or given up his right of claims for the insurance money, there is no other beneficiary.

Article 36. The insurer shall not be held liable to pay the insurance money for the loss and damage caused deliberately by the policy holder.

Concerning the insured events caused deliberately by the insured beneficiary, the insurer shall not be liable to pay the insurance money.

Article 37. The insurer shall be entitled to receive compensation from a third party if it has paid insurance indemnity to the insured or to the insured beneficiary when the policy holder died, became injured or caught a disease by the fault of the third party.

Chapter 4. Property Insurance

Article 38. The property insurance shall cover the properties of the institutions, enterprises, organs and citizens. The object of the property insurance shall be measurable in value.

Article 39. The insured value shall be the maximum limit for the sum insured.

No sum insured shall exceed the insured value.

Article 40. In case one object is insured in more than two insurances, the total amount of the insurance indemnity shall not exceed the sum insured.

The policy holder who has had one object in more than two insurances shall inform his reason to the relevant insurer.

Article 41. The insurer intending to renew the insurance policy shall reconsult with the policy holder on the object and value insured, specify them in the application for the insurance contract and reissue the insurance policy.

Article 42. In case the sum insured is lower than the insured value, the insurer shall be liable for the compensation according to the ratio of the sum to the value insured. However, any specified agreement in the contract of insurance shall take effect.

Article 43. The insurer may, according to the insurance contract, inspect the management by the policy holder of the insured object and its safety and require to correct the defects revealed.

If the policy holder fails to properly manage the insured object, the insurer may raise the amount of premium or cancel the contract.

Article 44. If the risk of the insured object or its insured value decreases, the insurer shall reduce the premium, calculate the amount of premium during the period of the decrease and give the amount back to the insured.

Any specified items in the contract shall take effect.

Article 45. If the insurer is requested to cancel the contract before it takes effect, he shall refund to the policy holder the amount of premium after subtracting the service charge.

In case the insurer is requested to cancel the contract after the term of insurance begins, he shall refund to the policy holder the amount of money after subtracting the premium during the relevant period.

Article 46. In case of partial loss of the object insured, except the insurance that cannot be cancelled during the period of contract, the insurer may pay the relevant amount of insurance indemnity and cancel the contract, provided that the policy holder is notified of it.

Article 47. In case the amount of insurance indemnity paid by the insurer equals to that of the insured value, the right of the policy holder to the object shall go over to the insurer.

Article 48. In the event of damage caused by a third party, insurer may

pay the insurance indemnity to the policy holder and make a claim for compensation to the third party within the limit. In case the insured has received compensation for damage from the third party, the insurer shall pay the insurance indemnity after subtracting the relevant amount.

Article 49. If the policy holder has given up the claim for compensation to a third party before the insurance indemnity is paid, the insurer shall not be held liable for the compensation.

In case the policy holder has given up the claim for compensation to a third party without agreement with the insurer after the insurance indemnity is paid, the insurer shall be entitled to be refunded with the amount compensated. If the claim for compensation has not been exercised to a third party due to a fault of the policy holder, the insurer may reduce the amount of insurance indemnity.

Article 50. In the event of a damage caused by the policy holder to a third party in the liability insurance, the insurance indemnity shall be paid to the third party directly.

The expenses for arbitration and lawsuit related to the damage caused by the policy holder to a third party shall be borne by the insurer. However, any specific agreement in the contract shall take effect.

Article 51. The expenses incurred by the policy holder in his effort to investigate and confirm the cause and scale of accident and prevent the increase of damage shall be borne by the insurer.

Chapter 5. Insurance Company

Article 52. The approval of establishment of an insurance company and the license of its business shall be issued by the State insurance administration institution.

Any insurance company whose establishment has not been approved and whose business has not been licensed shall not be entitled to undertake operation.

Article 53. The conditions needed for establishing an insurance company are as follows:

1. Memorandum of association and its internal regulations,
2. Standard terms of the insurance contract and the tariff,
3. Registered funds designated,
4. Place of business and business facilities, and
5. Necessary staff.

Article 54. The institutions, enterprises and associations intending to set up an insurance company shall first submit for agreement to the State insurance administration institution the evidentiary documents confirming that the conditions for establishing the company have been met, the materials for the possibility of business and the materials related to bank, and then submit an application for establishing the company.

The form of the application shall be defined by the State insurance administration institution.

Article 55. The State insurance administration institution shall examine the application for establishing an insurance company and approve or reject its establishment within 60 days.

If approved, the business licence of the insurance company shall be issued.

Article 56. The insurance company shall register itself within 30 days of the receipt of the business license.

Unregistered insurance companies shall not conduct their business.

Article 57. The business license of the insurance company, which has not been registered within 3 months of the receipt of the business license, shall be cancelled.

Article 58. The insurance company intending to set up its agency or office in the territory of the DPRK shall obtain approval of the State insurance administration institution.

The agency or office of the company shall be entitled to conduct its business only after making relevant registration.

Article 59. The insurance company shall conduct its business within the limits approved by the State insurance administration institution.

In case it wishes to change its name, memorandum, category of business, registered funds and place of business, it shall obtain approval.

Article 60. The insurance company shall have the minimum capacity to pay compensation and lay aside insurance fund.

The size of insurance fund and the method of creating the fund shall be set by the State insurance administration institution.

Article 61. The insurance company may designate its agents and conduct its business through them. In this case a list of the agents shall be prepared and the agents be registered.

Article 62. The insurance agent shall conduct business by proxy within the authority attached by the insurance company and clarify the state of his business in a document.

The insurance company shall be responsible for its agent's business.

Article 63. The agent of a life insurance company shall not be entitled to act for another life insurance company.

Article 64. The insurance company shall properly prepare its business report, financial statements and profit and loss accounts within 3 months after the end of a financial year and submit them to the State insurance administration institution.

Chapter 6. Guidance and Control of Insurance Business and Settlement of Disputes

Article 65. The State insurance administration institution shall provide

guidance and control over insurance activities.

The State insurance and administration institution shall improve the system and method of guidance for insurance activities in conformity with the demand of the developing insurance business and properly direct and control the business activities of the insurance companies.

Article 66. The State insurance administration institution shall work as follows:

1. Draw up regulations and directives to carry out the insurance policy of the State and the Insurance Law,

2. Investigate and analyze the international insurance market and the trend of the development of insurance and notify the results to the insurance companies,

3. Approve the memorandum, the standard terms of the insurance contract, the tariff, types of business and their alteration,

4. Define the amount and minimum limit of the registered fund of the insurance company,

5. Monitor business activities of the insurance company, its branch office and agent, and

6. Other activities authorized by the State.

Article 67. The State insurance administration institution shall ensure that insured events are properly assessed and judged.

The assessment and judgement of insured events shall be conducted only by the specialized judgement institutions or officials who are qualified by the State.

Article 68. The relevant institutions, enterprises, associations and insurance companies shall keep the documents and materials concerning insurance work until the date defined.

Article 69. Penalties shall be imposed on the insurance companies or their business activities shall be suspended in the following cases:

1. The insurance company has been set up or operated without approval,

2. Unapproved standard terms of the insurance contract or tariff have been applied or categories of business have been changed without approval,

3. The financial statement or the profit and loss account is not drawn up truthfully or is fabricated,

4. Compensation has not been made or its amount has been reduced without due reason,

5. The name, memorandum, registered fund or place of business of the insurance company has been changed without approval,

6. Insurance fund has not been created, or has been used for other purposes without approval,

7. The company has been broken up or merged without approval, or

8. The personal insurance has dealt with incompetent persons except children.

Article 70. Penalties shall be imposed on the policy holder or the

insured beneficiary in the following cases:

1. A damage has been caused deliberately and compensation has been made,

2. Indemnity has been made by a false report on the insured event, or

3. More than due indemnity has been made by fabricated documents.

Article 71. Penalties shall be imposed on individual officials of the insurance company in the following cases:

1. They have instigated the insured by abusing their power, to go through the procedures for the claim for compensation without any insurable interest or justifiable ground and had indemnity made,

2. They have deceived the policy holder or the insured beneficiary, or

3. They have led the policy holder or the insured beneficiary to an illegal act or colluded with the latter.

Article 72. If the insurance agent or middleman deceives the insurer, the policy holder or the insured beneficiary, the former shall be fined or have his business suspended.

Article 73. In the event of serious consequences by the breach of this law, criminal charges shall be imposed according to the severity of the case.

Article 74. Disputes related to insurance business shall be settled through consultation.

In case of failure in consultation, they shall be referred to the court and the arbitration body of the DPRK.

They may be brought to the arbitration body of a third country upon agreement between the parties concerned.

THE LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON EXTERNAL ECONOMIC ARBITRATION

Adopted by Decree No. 875 of the Presidium of the Supreme People's Assembly on July 21, 1999, and approved by Ordinance No. 5 of the Supreme People's Assembly on April 6, 2000

Chapter 1. Fundamentals

Article 1. The Law of the Democratic People's Republic of Korea on External Economic Arbitration shall contribute to correct examination and settlement of external economic disputes and protection of the rights and interests of the parties to a dispute through establishment of a strict system and order in the settlement of external economic disputes.

Article 2. External economic disputes shall be settled by arbitration committees such as Korean International Trade Arbitration Committee and Korean Marine Arbitration Committee.

The Korean International Trade Arbitration Committee shall deal with disputes related to trade, investment and service; and the Korean Marine Arbitration Committee shall handle disputes in connection with marine transport, marine salvage and general average.

Article 3. An arbitration committee shall be composed of chairman, vice chairman, secretary-general and other members.

The chairman, vice-chairman and secretary-general shall be responsible for the work of the committee.

Article 4. External economic arbitration shall handle the following disputes:

1. Disputes between an institution, enterprise or association of the DPRK and a foreign enterprise,
2. Disputes between an institution, enterprise or association of the DPRK and a foreign-invested enterprise,
3. Disputes between different foreign-invested enterprises,
4. Disputes between a foreign-invested enterprise and a foreign enterprise,
5. Disputes between different foreign enterprises, and
6. Disputes between an institution, enterprise or association of the DPRK or a foreign-invested enterprise or a foreign enterprise and an overseas Korean compatriot or a foreigner.

Article 5. External economic arbitration shall take place when a written proposal for arbitration is submitted by a party to a dispute according to a written agreement between the parties to the dispute.

The written agreement shall include the arbitration clause contained in the contract or an arbitration contract that has been concluded after the occurrence of the dispute.

Article 6. The State shall ensure that external economic disputes are settled in an objective, scientific, unbiased and rapid way and the party who has defaulted is held responsible.

Article 7. The State shall respect the international treaties and practice and develop cooperation and exchange with foreign countries and international organizations in arbitration activities.

Chapter 2. Application for Arbitration

Article 8. A party to a dispute may apply for an arbitration in order to protect his rights and interests.

An application for arbitration shall be made by submitting a written application for arbitration and other documents to be attached thereto to the arbitration committee within the period of prescription.

Article 9. An application for arbitration shall contain the following information:

1. Title (or name), legal address of the party to the dispute, and his legal representative (or his agent),
2. Agreed items of arbitration such as the arbitration institution and governing law,
3. Contents and amounts of the claim,
4. Expression of an intention as to the selection of the arbitrator or his name, and
5. Other necessary information.

Article 10. The following documents shall be attached to the application for arbitration:

1. Arbitration clause or the original copy of the arbitration contract,
2. A document certifying the payment of the arbitration fee,
3. The document of claim that has been submitted to the other party before applying for arbitration,
4. Documents proving a violation of contractual obligations by the defendant, and
5. Other necessary documents.

Article 11. An arbitration applicant shall pay the arbitration fee at the time of submitting the application documents.

The arbitration fee shall be calculated according to a set rate depending on the amount of claim.

Where necessary, part of the arbitration fee may be used by the arbitration committee to cover the arbitration expenses.

Article 12. The arbitration committee shall examine the application documents and decide whether to accept or reject the application within 10 days.

Where it is decided to accept the application, the arbitration committee shall send a list of arbitrators to the applicant and a notice of acceptance of

arbitration application accompanied by the application documents, a list of arbitrators and the like to the defendant within the set time limit.

Article 13. The defendant shall, within 30 days of receipt of the notice of acceptance of arbitration application, submit a response in writing expressing his opinion about the arbitration application and the selection of the arbitrators as well as documents of proof to the arbitration committee.

Arbitration proceedings shall not be affected even if the response and documents of proof are not submitted.

Article 14. The defendant may apply for a counter arbitration against the original arbitration application, in which case the requirements specified in Articles 9 and 10 of this law shall be satisfied.

A counter arbitration shall be directly related to the original arbitration and applied to the arbitration committee before the completion of the arbitration proceedings.

Article 15. An arbitration applicant may change or cancel his application for arbitration or waive his claim.

In case of a change or cancellation of an arbitration application, the application may be filed again within the prescription period.

However, in case a claim has been waived, the same claim shall not be made again.

Article 16. A party to a dispute may apply for, or make a response on an arbitration through his agent.

This agent may be a DPRK citizen or a foreigner. In this case, the agent will submit a letter of attorney to the arbitration committee.

Article 17. Where a party to an arbitration institutes a civil suit for an external economic arbitration case which it has been agreed to settle through an arbitration or for which an arbitral award has been given, the court shall return the relevant documents to the suer.

Chapter 3. Arbitral Examination

Article 18. Arbitral examination shall be conducted by an arbitral board composed of one or three arbitrators.

An arbitrator shall be independent in the handling of disputes and shall not represent a party to a dispute.

Article 19. Any of the following people may act as an arbitrator:

1. A member of the arbitration committee concerned,
2. An official working in the legal or economic sector and capable of examining and settling a dispute,
3. A person with an experience of working as a lawyer or a judge, and
4. Where necessary, an overseas Korean compatriot or a foreigner who is well known in the field of arbitration.

Article 20. The arbitration committee shall keep a list of arbitrators.

The list of arbitrators shall contain the names, positions, qualifications

and career of arbitration activities of the arbitrators.

Personal information of an arbitrator may be carried in publications.

Article 21. The number of arbitrators to examine and settle a dispute shall be decided through agreement between the parties to the dispute.

Where the parties fail to agree on the number of arbitrators, it shall be decided by the arbitration committee.

Article 22. The arbitrator to examine and settle a dispute shall be selected by the parties to the dispute from the list of arbitrators.

Where the parties fail to select an arbitrator within the set time limit, he shall be selected by the arbitration committee.

The relevant institutions shall provide conditions for the work of the selected arbitrator.

Article 23. Parties to a dispute may request the relevant arbitration committee to change an arbitrator.

The arbitration committee shall discuss the request, make a decision and notify the applicant of the decision.

Article 24. Where an arbitrator is not in a position to handle the case in question due to unavoidable circumstances, he may apply for a waive.

In this case, the arbitration committee shall notify the parties to the dispute and let them select another arbitrator.

Article 25. The date, time and place of the arbitration examination shall be determined by the arbitral board.

The arbitration committee shall notify the parties to the dispute of the date, place and time of the arbitration examination and the like not later than 30 days before the beginning of the arbitration examination.

A party to a dispute who has been notified of the beginning of the arbitration examination may request the arbitration committee not later than 10 days before the date of the examination to change any of the contents notified to him.

Article 26. Arbitration examination shall take place as a closed session at the seat of the relevant arbitration committee.

Upon request by the parties to the dispute, the arbitration examination may be open to the public or may take place at a place other than the seat of the committee.

Article 27. Arbitration examination shall be attended by the legal representative or his agent.

Where necessary, both the legal representative and the agent may be present.

Article 28. The arbitrator shall announce the beginning of the arbitration examination, allow the applicant to make a statement of claim and get the defendant to make a response.

When the parties have finished their statements, they shall be examined and allowed to interrogate each other.

Article 29. A party to the dispute may present an evidence and request the arbitrator to allow a witness or expert witness to participate in the arbitration examination.

Where the request is deemed reasonable, the arbitrator shall request the arbitration committee to allow the relevant witness or expert witness to attend the arbitration examination,

Article 30. A party to a dispute may request measures to be taken related to the preservation of evidence and asset security.

In this case, the arbitration committee shall examine it and make a request to the relevant court.

Article 31. The arbitrator shall suspend the arbitration examination if he discovers a ground for the suspension or dismissal of the case in the course of examination, and he shall finish examination when the objective of the arbitration examination has been achieved.

The period of arbitration examination shall not exceed 5 months from the date of receipt of the written application for arbitration.

Article 32. A protocol of arbitration examination shall be prepared by the secretary and signed by the arbitrator and the secretary.

Recording or video recording of the arbitration examination may be allowed only with the approval of the parties to the dispute.

A party to the dispute may be allowed to read the protocol of arbitration examination.

Article 33. Parties to a dispute may make a compromise at any time.

Where a compromise is made between the parties to a dispute, the arbitration examination under way shall be terminated.

Article 34. An external economic dispute may also be settled through reconciliation.

Reconciliation shall be made if the parties agree to a proposal advanced by the reconciler at the reconciliation council composed of the reconciler and the parties to the dispute.

Chapter 4. Arbitral Award and its Execution

Article 35. An arbitral award shall be announced within 30 days after the completion of the arbitration examination.

In unavoidable circumstances, the arbitrator may request the arbitration committee to extend the period of announcement of an arbitral award.

Article 36. An arbitral award shall contain the following information:

1. Title (or name), legal address of the parties to the dispute, and his legal representative (or his agent),

2. Date of the arbitration examination and the names of the arbitrator and secretary,

3. Name of the case and the participants in the arbitration examination,

4. Contents of the claim of the applicant and contents of the response of the defendant,
5. Facts and evidence proved in the examination,
6. Governing laws and regulations on which the award is based,
7. Conclusions regarding the settlement of the case,
8. Provisions for the arbitration expenses,
9. Date of the announcement of the arbitral award, and
10. Other necessary information.

Article 37. An arbitral award shall be prepared in Korean. A translated version may be attached upon request by a party to a dispute.

In case of a discrepancy in interpretation between the translated and Korean versions, the original Korean version shall prevail.

Article 38. An arbitral award shall be effective only if it bears the signature of the arbitrator and the official seal of the arbitration committee.

Where 3 arbitrators have examined a dispute, any arbitrator who does not agree to the majority opinion shall not sign the arbitral award. In this case, a letter of explanation shall be attached to the protocol of arbitration examination to be submitted to the arbitration committee.

Article 39. The arbitrator may decide suspension of the arbitration examination, dismissal of the case or compromise.

When an event that had caused suspension of the examination disappears, the examination shall be resumed.

A compromise decision shall state the conditions for compromise.

A compromise decision shall have the same validity as an arbitral award.

Article 40. An arbitral award shall be sent or handed over in person to the parties to the dispute by the arbitration committee.

Where the legal address has been changed after applying for arbitration, the party concerned shall notify the arbitration committee of it in time.

Article 41. A party to a dispute shall perform his obligations within the time limit stated in the arbitral award.

A party to a dispute who is aggrieved by an arbitral award may request the arbitration committee to modify, amend or interpret certain expressions or provisions within 30 days from the date of receipt of the award and may within 6 months request the relevant court to cancel an award that is deemed to be wrong.

Article 42. Where the responsible party fails to perform in time his obligations stated in the award or performs the obligations unfaithfully, the other party may apply for the execution of the award to a court having jurisdiction over the area where the former is residing or where the property that is the object of execution is located.

Article 43. Where the object of execution is located outside the territory of the DPRK, execution of the award may be applied for to a foreign court.

THE LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON EXTERNAL CIVIL RELATIONS

Adopted by Resolution No. 62 of the Standing Committee of the Supreme People's Assembly on September 6, 1995, and amended by Decree No. 251 of the Presidium of the Supreme People's Assembly on December 10, 1998

Chapter 1. Fundamentals

Article 1. The Law of the Democratic People's Republic of Korea on External Civil Relations shall contribute to protecting the rights and interests of the parties concerned in external civil relations, as well as to further developing external economic cooperation and exchange.

Article 2. This law prescribes governing laws in respect of the property and family relations among legal persons and citizens of the DPRK and foreign countries, and further specifies the procedures for resolution of civil disputes.

Article 3. The State shall ensure that the sovereign rights of the parties concerned are respected in external civil relations.

Article 4. The State shall ensure that the principles of equality and mutual benefit are applied in external civil relations.

Article 5. The State shall ensure that the basic principles of the legal system of the DPRK are maintained in external civil relations.

Article 6. If otherwise stipulated in a treaty concluded between the DPRK and any other foreign country in connection with external civil relations, the treaty concerned shall be applicable. Either the international practices or the law of the DPRK shall hold, however, if no provision has been made of the governing law applicable to the external civil relations.

Article 7. The law of domicile shall be applied to parties having more than two nationalities in the ways specified hereunder.

1. Where any one of a party's nationalities is Korean (DPRK), the law of the DPRK shall hold,

2. Where a party's nationalities are all foreign, the law of the country in which the party has a residence shall hold, and

3. Where a party has residence in all countries, the nationalities of which such a party has acquired, or where a party has no residence in any of such countries, the law of the country with which the party concerned is most closely related shall hold.

Article 8. Where a party of no fixed nationality has a residence in a certain country, the law of such country shall be regarded as the law of domicile. But where a party has no residence in any country or has it in several countries, the law of the country in which such a party stays shall be regarded as the law of domicile.

Article 9. The law of domicile of a party who has acquired the nationality of a country whose law differs from one locality to another shall be determined by the relevant law of the said country.

In case of absence of relevant law, however, the law of domicile shall be the one of such a locality as the party concerned belongs to or is most closely related with.

Article 10. The law of the DPRK shall be the law of domicile for any party having residence both in the DPRK and other foreign countries.

Where a party has a residence in more than one foreign country, the law of the country in which the party stays shall be regarded as the law of domicile.

Article 11. For a party having no residence in any country, the law of the country in which such party stays shall be regarded as the law of domicile.

Article 12. Where the content of the law of any foreign country prescribed as the governing law under provisions of this law proves impossible to be confirmed, the law of the country with which the party is most closely related shall hold. In the absence of the foregoing law, the law of the DPRK shall be applicable.

Article 13. Where the rights and obligations of a party as derived from the law of a foreign country, which has been prescribed as the governing law by this law, or those established in accordance with international practices should conflict with the fundamental principles of the DPRK legal system, the law of the DPRK shall hold.

Article 14. Where the law of a foreign country defined as the governing law under this law refers back to the law of the DPRK, the latter shall hold.

Article 15. Any of such legal acts as marriage, divorce, adoption or guardianship, performed prior to the effectiveness of this law by a citizen of the DPRK having a residence in a foreign country, shall remain valid within the territory of the DPRK to the extent that there is no reason to justify any nullification of such act.

Chapter 2. Parties to External Civil Relations

Article 16. The legal persons and citizens of the DPRK and the legal persons and citizens of foreign countries involved in external civil relations shall be the parties to such relations.

Article 17. The capacity of enjoyment of rights for a legal person shall be governed by the law of the country, the nationality of which such legal person has acquired, except for such cases as otherwise defined by the law of the DPRK.

Article 18. The legal capacity of a citizen shall be governed by the law of domicile.

Where the law of the DPRK defines as “major” a citizen of a foreign country who is defined as “minor” under the law of domicile, any act

conducted by such citizen within the territory of the DPRK shall be regarded as valid.

Matters relating to family and inheritance, as well as any act in connection with immovable properties in foreign countries shall preclude application of the foregoing paragraph.

The legal capacity of a citizen of the DPRK having a residence in a foreign country may be governed by the law of the country in which such citizen resides.

Article 19. The conditions for authentication of incompetency or partial competency shall be governed by the law of domicile of the party concerned.

But where a case is not authenticated as incompetency or partial competency under the law of the DPRK, notwithstanding the authentication to that effect under the law of domicile, the said case may not be authenticated as such.

Article 20. The validity of authentication of incompetency and partial competency shall be governed by the law of the country that has authenticated the case in question.

Article 21. The authentication of the missing or the deceased shall be governed by the law of domicile of the party concerned. But where the authentication of the missing and the deceased is related with any legal person or citizen or property of the DPRK, the law of the DPRK shall prevail.

Chapter 3. Property Relations

Article 22. Such property-related rights as possessory rights and ownership shall be governed by the law of the country in which the concerned property lies. But the rights related with such means of transportation as ships and aircraft, as well as with properties in transit shall be governed by the law of the country under whose flag such means of transportation has been travelling, or by the law of the country to which the aforesaid means belong.

Article 23. Rights concerning such intellectual properties as copyright and patent shall be governed by the law of the DPRK, except for such cases as shall be governed by relevant international treaty since relevant provisions have not been made of such rights in the law of the DPRK.

Article 24. Such acts of property dealings as sales, transportation and conclusion of insurance contracts shall be governed by the law of the country mutually agreed upon by the parties concerned, except for such cases as shall be governed by the law of the country of act in which any such property dealing has occurred, if no law has been agreed upon by the parties concerned.

Article 25. Where any contract is to be concluded by means of cable or correspondence between the parties residing in different countries, the law of the country from which a written proposal has been sent out to the other party shall be regarded as the law of the country of act.

In case the place from which such a proposal has been set out proves unknown, the law of the country in which the place of residence or seat of the proposer is located shall be regarded as the law of the country of act.

Article 26. A mode of property dealing shall also be regarded as valid if it comes in compliance with the mode as set out in the law of the country of act.

Article 27. Such property relations as establishment of foreign-invested enterprises in a special economic zone of the DPRK shall be governed by the law of the DPRK.

Article 28. In the absence of any law mutually agreed upon by the party concerned, contracts on sea-rescue operations shall be governed by the following laws:

1. In territorial water, the law of the relevant country,
2. In open seas, the law of the country in which a court of justice having jurisdiction over sea-rescue contracts is located,
3. In case of salvage by several ships of different nationalities, in open seas, the law of the country under whose flag the ship in distress has sailed.

Article 29. General average shall, in the absence of any law mutually agreed upon by the parties concerned, be governed by the law of the country to which the port of destination or the first port of call belongs.

But in case the parties that have been claimed against are of the same nationality, the law of the concerned country may be applied.

Article 30. Any such act as administration of the other party's properties and work free of legally binding obligations, or any unjust enrichment shall be governed by the law of the country in which any act or fact causative thereof has occurred.

Article 31. Any law-breaking act shall be subject to the law of the country where the said act has taken place. The foregoing paragraph shall not be applied in case any act conducted in a foreign country is not prescribed as illegal under the law of the DPRK. In case any such act is prescribed as illegal under the law of the DPRK, it shall be liable only to such an extent as provided for in the aforesaid law.

Article 32. In case of any collision in open seas occurring due to illegal acts of ships of the same nationality, the law of the country under whose flag the ships have been sailing shall hold.

But any collision occurring due to illegal acts of ships of different nationalities shall be governed by the law of the country in which a court of justice having jurisdiction over ship collision is located.

Article 33. Any transfer of obligation shall be governed by the law of the country in which the act of transfer has occurred, or by the law of the country in which the obligor has a residence.

Article 34. Any act of subrogation or cancellation of right of the obligor by the obligee shall be governed jointly by the governing law on obligations and the governing law on the right of an obligor before a third

party.

Chapter 4. Family Relations

Article 35. Conditions of marriage shall be governed by the respective law of domicile of the contracting parties in a marriage.

Notwithstanding that conditions of marriage are endorsed by the law of domicile, a marriage shall not be permitted in case of existence of such obstacles to marriage as previous marital status lasting to date, or consanguinity between the parties concerned, all of which have been authenticated under the law of the DPRK.

The mode of marriage shall be governed by the law of the country in which the parties concerned get married to each other.

Article 36. As regards the validity of a marriage, the law of domicile of the couple concerned shall hold.

Where the nationalities of a couple differ, the law of the country in which such a couple keeps a residence shall hold, except for such case as shall be governed by the law of the country with which such a couple is most closely related if the places of residence of the couple differ.

Article 37. Divorce shall be governed by the law of domicile of the parties concerned.

Where the nationalities of the divorce and divorcee differ, the law of the country in which they both have residence shall hold, whereas the law of the country with which such persons are most closely related shall hold in case their places of residence differ.

The mode of divorce shall also be regarded as valid if it comes in compliance with the mode as set out in the law of the country in which the divorce takes place.

Article 38. Where one of the parties to the divorce is a resident citizen of the DPRK, the law of the DPRK may be applied, notwithstanding Article 37 of this law.

Article 39. Any identification of parenthood shall be governed by the law of domicile of the offspring at the time of his birth, regardless of the marital status of the parents concerned.

Article 40. Adoption and renunciation of adoption shall be governed by the law of domicile of the adoptive parents. In case the nationalities of adoptive

parents differ, the governing law shall be the law of the country in which they both have residence.

Any such conditions as obtainment of consent of the adopted or a third party or of an approval of a State organ, as may be prescribed by the law of domicile of the adopted, shall be met.

A mode of adoption and renunciation of adoption shall also be regarded as valid if it comes in compliance with the mode as set out in the law of the

country in which the parties concerned perform either an adoption or renunciation of adoption.

Article 41. The validity of parenthood shall be governed by the law of domicile of the offspring. Where any one party, either of the parents or the offspring, is a resident citizen of the DPRK, the law of the **DPRK** shall hold.

Article 42. Any guardianship shall be governed by the law of domicile of a ward.

A mode of guardianship shall also be regarded as valid if it comes in compliance with the mode as set out in the law of the country in which the guardian performs his duty.

Article 43. If any citizen of a foreign country residing or staying in the DPRK does not have a guardian, a guardian may be designated in accordance with the law of the DPRK.

Article 44. Any support of a person shall be governed by the law of the country in which the dependent has a residence.

Where a dependent is not granted a right to be supported under the law of the country in which he has a residence, either the law of domicile of such dependent or the law of the DPRK shall be applied.

Article 45. The inheritance of immovable properties shall be governed by the law of the country in which the heritage exists, whereas the inheritance of movable properties shall be governed by the law of domicile of the ancestor.

But the inheritance of movable properties by a citizen of the DPRK having residence in a foreign country shall be governed by the law of the last country in which the ancestor had a residence.

Where a citizen of the DPRK residing in a foreign country does not have an heir, the heritage shall be inherited by a person most closely related with such a citizen.

Article 46. Any testament or cancellation of testament shall be governed by the law of domicile of the testator.

A mode of testament and cancellation of testament shall also be regarded as valid, provided that they come in compliance with the law of the DPRK, the law of the country in which the act of testament has occurred, the law of the country in which the testator has a residence or the law of the country where the immovable property lies.

Article 47. Any adoption, renunciation of adoption, parenthood, guardianship and testament in connection with a citizen of the DPRK having a residence in a foreign country may be governed by the law of the country in which the said person resides.

Chapter 5. Settlement of Disputes

Article 48. Except for such cases as specified separately in this law, the settlement of disputes arising from external civil relations shall be governed by the relevant laws of the DPRK.

Article 49. Jurisdiction of trial and arbitration for any dispute arising from property dealings shall be determined through mutual agreement by the parties concerned.

Article 50. The competent authority of the DPRK shall have jurisdiction over such cases as defined hereunder, provided that the parties concerned have not agreed upon jurisdiction of trial or arbitration in relation with a dispute arising from property dealings:

1. In case the defendant either has the seat or keeps a residence within the territory of the DPRK,

2. In case loss of property giving rise to a dispute has incurred within the territory of the DPRK,

3. In case either the property of the defendant or the object being claimed for exists within the territory of the DPRK, and

4. In case the cause giving rise to a dispute is related with any immovable property registered in the DPRK.

Article 51. Any dispute over the authentication of incompetency, partial competency, the missing or the deceased shall come under jurisdiction of the competent authority of the DPRK in disregard of the nationality and place of residence of the parties concerned, to the extent that such a dispute is related with the legal person, citizen or property existing in the territory of the DPRK.

Article 52. Any dispute over marriage and divorce shall come under jurisdiction of the competent authority of the DPRK, to the extent that the defendant keeps residence in the DPRK at the time of institution of the lawsuit or that the plaintiff is a resident citizen of the DPRK.

Article 53. Any dispute over property between a couple shall come under jurisdiction of the competent authority of the DPRK, provided that the parties concerned have residence in the DPRK, or that either the defendant or the plaintiff has a residence in the DPRK with relevant property existing in the DPRK territory.

Article 54. The competent authority of the DPRK shall have jurisdiction over disputes arising from adoption, renunciation of adoption, parenthood,

guardianship and legal support only when the parties concerned keep their residence in the DPRK.

Article 55. Any dispute over inheritance shall come under jurisdiction of the competent authority of the DPRK, regardless of the nationality of the heir, if the said heir is a citizen of the DPRK, and of the place of his or her residence if the heritage exists in the territory of the DPRK.

Article 56. Any trial or arbitration shall be rejected or suspended, notwithstanding the demand made by any party concerned, in such cases as specified hereunder:

1. In case the jurisdiction over the dispute in question is not

acknowledged under this law,

2. In case any proceedings for trial or arbitration of the dispute in question has already been initiated in any other country,

3. In case the parties concerned have agreed to drop the case, and

4. In case there exists any reason justifiable under the law of the DPRK.

Article 57. The competent authority of the DPRK may request the competent authority of a foreign country to provide it with necessary information in connection with such formalities for dispute settlement as collection of evidence and interrogation of witnesses within the territory of that country, or with endorsement and execution of judgement or decision given by the competent authority of the said country.

Article 58. Any information submitted by a foreign country to the competent authority of the DPRK, such as records of interrogation of witnesses, exhibits, etc., shall be entitled to be used as an evidence in the resolution of a given dispute, subject only to the authentication of the foregoing by a public notary office of the relevant foreign country.

Article 59. Any judgement made by the competent authority of a foreign country shall be acknowledged, subject to an agreement on mutual acknowledgement thereof between the States concerned.

But where a citizen of the DPRK who is a party to the execution of a judgement on family matters given by the competent authority of a foreign country either makes requests for, or agrees to, the execution of such a judgement, it may so be made valid.

Article 60. The judgement and decision made by competent authorities of foreign countries shall not be acknowledged in such cases as prescribed below:

1. In case any such judgement or decision conflicts with the fundamental principles of the legal system of the DPRK,

2. In case any such judgement or decision is connected with a dispute that comes under jurisdiction of the competent authority of the DPRK,

3. In case any such judgement or decision is related with a judgement or decision made by the competent authority of the DPRK,

4. In case any such judgement or decision is identical with that of a third country acknowledged by the DPRK,

5. In case any such judgement or decision has been given in the absence of any party concerned for no warrantable reason, and

6. In case there exists any reason justifiable under the law of the DPRK.

Article 61. The provisions of Article 59 and Article 60 of this law shall also be valid for any execution of judgement or decision given by a competent authority of a foreign country.

Article 62. In case any party within the territory of the DPRK takes interest in the execution of a judgement or decision given by the competent authority of a foreign country, such a party may present a written opinion to the competent authority of the DPRK within 3 months from the confirmation of such judgement or decision.

THE NOTARY PUBLIC LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA

*Adopted by Resolution No. 51 of the Standing Committee of
the Supreme People's Assembly on February 2, 1995*

Chapter 1. Fundamentals

Article 1. The Notary Public Law of the DPRK shall contribute to protecting the civil rights and interests of institutions, enterprises, entities and citizens, and to ensuring security in civil affairs, by facilitating strictest affirmation of any fact or document of legal significance.

Article 2. A notarial act shall be performed upon application by any institution, enterprise, entity or citizen.

The State shall ensure that all possible facilities be provided to any institution, enterprise, entity or citizen presenting an application for a notarial act.

Article 3. The State shall ensure that accuracy and lawfulness be maintained for any notarial act on the basis of scientific and objective evidence.

Article 4. The State shall ensure that the parties who have applied for a notarial act duly exercise the civil rights vested with them on an equal footing, and fulfil their respective obligations in good faith.

Article 5. A notarial act shall be performed by a State notary office.

Any notarial act, for which a citizen of the DPRK residing in a foreign country has presented an application, shall be performed by the DPRK consular mission accredited to that country.

Article 6. The State notary offices shall be established in the seats of provinces (or municipality directly under central authority). They may also be established in the seats of cities (districts) or counties, as necessary.

Article 7. The Central Court shall exercise a unified guidance over the notarial act.

Provincial (municipal) courts shall guide performance of notarial acts in areas within their respective jurisdiction.

Article 8. This law shall be applicable to institutions, enterprises, entities and citizens of the DPRK, as well as to foreigners and foreign-invested enterprises within the territory of the DPRK.

Chapter 2. Subjects of Notarial Act

Article 9. The State notary offices shall provide authentication to such facts and documents as stipulated hereunder:

1. A person's identity and family relations,
2. Technical and professional qualifications, academic degrees, honorary titles and intellectual properties,

3. Missing and deceased persons,
4. Property ownership
5. Inheritance,
6. Contracts,
7. Legal person, commissioning or procuration,
8. Obligations and compensation for damages,
9. Trademarks,
10. Accidents and inspection
11. Names of institutions, bank accounts, signatures and seals,
12. Memorandum of association of enterprises,
13. Original, copy and translation of documents,
14. Preservation of evidence and deposit of property and
15. Any other facts or documents of legal significance.

Article 10. The State notary offices shall undertake to register important properties of individuals and foreign-invested enterprise as well as corporate bodies.

Where the property or legal persons registered undergo any change, they shall be re-registered for that purpose within 20 days.

Article 11. The State notary offices shall be entrusted with property deposited for the purpose of debt payment, objects of civil disputes, security for compensation of damages, and ownerless articles.

Article 12. The State notary offices shall preserve such evidence in civil cases as is liable to become extinct before the institution of a lawsuit or proves impossible to be recollected.

Chapter 3. Jurisdiction of Notarial Act

Article 13. The State notary offices located in the seats of cities (districts) and counties shall conduct the notarial acts, the application for which is intended to be used in the territory of the DPRK.

The State notary offices in the seats of provinces (or municipality directly under central authority) shall perform the notarial acts, the application for which is intended to be used in the territory of the DPRK and /or of any other foreign country.

Article 14. A notarial act shall be performed by the State notary office that has a jurisdiction over the place of residence or seat of the applicant concerned.

In case of applications submitted by several applicants for notarization of the same subject, any State notary office that has jurisdiction over the place of residence or seat of any one of the parties concerned may undertake to perform the notarial act.

Article 15. Any notarial act shall be carried out by a relevant State notary office, i.e., a notarial act for any building by the State notary office

having a jurisdiction over the location of such a building, any property which is registered with an institution, enterprise or entity by the office having a jurisdiction over the seat of any of the foregoing; and any preserved evidence or deposited property by the office having a jurisdiction over the place where the said evidence or property lies.

Article 16. The authentication of the missing or the deceased shall be undertaken by the State notary office that exercises jurisdiction over the last place of residence of the person concerned, whereas that of testament shall be conducted by the State notary office that exercises jurisdiction over the place where the act of testament has taken place.

Article 17. Any authentication concerning a natural disaster, an accident or conclusion of a contract shall be performed by the State notary office having jurisdiction over the location of such natural disaster or accident, or the place where the contract has been concluded.

Chapter 4. Procedures and Methods of Notarial Act

Article 18. An application for a notarial act shall be submitted to the competent State notary office by the party concerned.

Under an unavoidable circumstance, however, it may be made either by proxy or by inviting a notary public.

Article 19. The applicant for a notarial act shall submit to the relevant State notary office a written application, documentary evidence and certificate of payment of State notarial fee.

The application for a notarial act shall specify such details as the applicant's name, date of birth, position, place of residence and the subject in question.

Article 20. The State notary office shall, to the extent that any written application proves insufficient, make sure that the said application be amended or supplemented within 5 days.

The date on which the application had been submitted for the first time shall be regarded as the date of application, provided that such an application has been amended or supplemented within the specified period of time.

Article 21. The State notary office shall deal with the application within 1 month of its receipt.

Article 22. The State notary office shall check the competence of the applicant and the truthfulness and lawfulness of details of application and documentary evidence, summon a witness, as necessary, or demand any exhibit from an institution, enterprise, entity or citizen. It may refer an expert appraisal of such exhibit to a relevant specialized organ.

All relevant institutions, enterprises, entities and citizens shall comply with any demand made by the competent State notary office with regard to the performance of notarial act.

Article 23. The State notary office shall draft a notarial deed, provided

that the details of application proves accurate and conforms to legal requirements.

The script of such a notarial deed shall be kept in custody and the copy shall be handed over to the party concerned.

Article 24. Any notarial act shall be rejected in the cases where:

1. There exists a dispute between the parties concerned as regards the subject of application,

2. The subject of application proves inconsistent with facts,

3. There exists no evidence, or the evidence, if any, has been faked,

4. The subject of application proves to be confidential,

5. The application has been withdrawn by the applicant, and

6. The State notarial fee has not been paid.

Article 25. Where any notarial act is to be rejected, the reason and justifications thereof shall be informed to the applicant.

Article 26. Any deposition of property or preservation of evidence shall be undertaken either by the State notary office or by referring to any other competent organ.

Cash, securities and precious metals shall be in the custody of a nominated bank; any poisonous substance in the custody of relevant supervision body; and any perishable goods shall be sold and exchanged into cash to be deposited at a bank account; while any evidence shall be preserved in the form of filed records of interrogation of a witness, or as a record of on-site inspection or of an expert opinion in writing, or as a picture taken thereof.

Article 27. Any deposited property and preserved evidence shall be disposed of, pursuant to a judgement or award passed by the court, or be returned to the rightful person upon elapse of a specified period of time.

Article 28. In case the owner of a deposited property fails to take back such a property within a specified period of time, the State notary office may issue a writ of execution.

The executioner of the People's Court shall serve the writ.

Article 29. A notarial document shall be written in the Korean language. A foreigner may write a notarial document in his national language.

Article 30. A notary public, who has interest in a notarial act for which application has been made, shall not conduct the notarial act in question.

An applicant for a notarial act may request replacement of a notary public, to the extent that such a person has been recognized not to be fair in carrying out the notarial act concerned, with any other notary public.

The relevant State notary office shall either replace the said notary public with another person in case the above-mentioned request proves to be reasonable, or otherwise, reject it.

Article 31. An applicant for a notarial act shall pay the State notarial fee and other charges as prescribed.

Chapter 5. Complaints against Notarial Act

Article 32. A party who is aggrieved by a notarial act may, within 5 days of receipt of the notarial deed or the notice of rejection, lodge a complaint with a court that is located in the seat of the relevant State notary office.

The court with which the complaint has been lodged shall, within 10 days, review such a complaint and settle it by passing an award.

Article 33. A party who is still aggrieved at the award passed by the court may appeal to a higher court within 10 days of receipt of the copy of award.

Article 34. The higher court to which the appeal has been filed shall, within one month, review it and pass an award in support or rejection of such an appeal.

Article 35. The State notary office may reinvestigate the subject of application pursuant to the award of the court, or settle it on the basis of information and evidence certified by the court.

THE CIVIL PROCEEDINGS ACT OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA

*Approved by Resolution No. 18 of the Standing Committee of the
Supreme People's Assembly on January 10, 1976, amended by
Resolution No. 47 of the Standing Committee of the Supreme
People's Assembly on May 25, 1994, and amended by
Decree No. 3369 of the Presidium of the Supreme
People's Assembly on October 24, 2002*

Chapter 1. Fundamentals

Article 1. The Civil Proceedings Act of the Democratic People's Republic of Korea shall contribute to protecting the civil rights and interests of the institutions, enterprises, organizations and citizens through activities of civil litigation.

Article 2. The State shall ensure that activities of civil litigation be conducted on the principle of properly combining the activeness of litigants with the responsibility of the court.

Article 3. The State shall provide litigants with litigious rights and conditions necessary for litigation on an equal footing.

Article 4. The State shall ensure that activities of civil litigation be conducted by relying on the masses of the people.

Article 5. The State shall ensure that scientific accuracy, objectivity and prudence be maintained in activities of civil litigation.

Article 6. The Civil Proceedings Act of the DPRK shall apply to the settlement of disputes as to the civil rights and interests that arise between institutions, enterprises, organizations and citizens of the DPRK.

This Act shall also apply to the foreign-invested businesses and foreign nationals in the territory of the DPRK.

Chapter 2. General

Article 7. The questions related to civil cases shall be settled by a judgement or a finding of the court.

Article 8. Examination of a civil case shall be conducted, upon litigation by a litigant, a person interested or the public prosecutor.

Article 9. Examination of civil cases shall be carried on in the Korean language.

The person who does not speak Korean shall be provided with an interpreter and the dumb person with a construer.

A foreigner may draw up a document related to the case in his native language.

Article 10. The civil trial shall be open to the public.

If it is necessary to keep a secret of the State or a citizen or if the case may have a baneful impact on the society, the whole or part of the trial may be closed to the public.

Even when the trial is not open to the public, the judgement shall be passed in public.

Article 11. After the judgement has been finalized, a litigant shall not restart a lawsuit against the same person with the same reason.

Article 12. If a case to be examined at a civil trial has already been finalized at a criminal trial, the court shall admit it as it stands.

Article 13. If the judge, people's assessor, public prosecutor, clerk, expert witness, interpreter, construer or their relatives shall be disqualified for participation in the trial of a case, in which they or their relatives are interested in the settlement of case.

The judge, people's assessor, public prosecutor, clerk, witness, expert witness, interpreter and construer shall not undertake one another's assignments in the trial concurrently.

Article 14. The judge or people's assessor who have participated in the first trial of a case shall not be a member of the tribunal that carries on the first or second trial reexamining the case.

Article 15. The judge and people's assessor who are of kinship with one another shall not be members of the same court.

Article 16. Where any of Articles 13, 14 and 15 of this Act is applicable, a litigant may apply to the court for the replacement of the judge, peoples assessor, public prosecutor, clerk, expert witness, interpreter or construer, as appropriate.

The application shall be made before examination of facts begins. The application may also be made even if any reason for the replacement of them arises or is known after examination has begun,

Article 17. If any of Articles 13, 14 and 15 of this Act becomes applicable, the court shall deal with them in the following ways:

1. If the application for the replacement of the judge of people's assessor is received, the other members of the tribunal excluding the judge or people's assessor concerned shall settle the matter by a finding. In this case, the person concerned shall be replaced if any one of the members agrees to the replacement, and

2. If the application for replacing the public prosecutor, clerk, expert witness, interpreter or construer is received, it shall be settled by a finding.

Article 18. Upon receipt of a civil case, the court shall settle the case within 2 months if it is a first trial case, and within 1 month if it is a second trial case or a case of extraordinary appeal, retrial or judges' council.

Article 19. The period of litigation shall be set by day, month or year and shall be counted from the day after the reason for counting them arises.

If the period is fixed by day, it shall be due until 24:00 hours of the set

day; if set by month, it shall be due until the same day of the appropriate month as the day when the reason for counting them arises and, if there is not such a day, it shall be due until the last day of that month.

If the day when the period expires falls on a national holiday or on Sunday, the period shall be due on the first working day following the said holiday or Sunday.

Article 20. If a note of litigation or appeal or other litigation instruments are sent before the period fixed by law expires, it shall be deemed as having been presented within the set period.

Even after the fixed period has lapsed, the court may extend the period when there is a justifiable reason.

Article 21. The court expenses shall include the State charges and stamp cost needed for instruments and so on.

Article 22. Protocols, written judgements and findings shall be drawn up during the preparation or the proceedings of a trial.

Chapter 3. Parties to a Litigation

Article 23. An institution, enterprise or organization that receives an independent expenses budget or that is run on the cost-accounting system, or a citizen may be a litigant.

The institutions, enterprises, organizations and citizens that become litigants shall exercise their litigious rights properly and discharge their duties creditably.

Article 24. A litigant may explain his arguments, make a necessary application or express his opinion as to the settlement of the case in the trial.

He may present evidence helpful to the settlement of the case, ask for its investigation and take part in the investigation.

Article 25. The plaintiff may waive the claim presented by him or change its scope; and the litigants may make a compromise with one another.

This, however, shall not be applicable in case the plaintiff is an institution, enterprise or association.

Article 26. If a litigant moves his place of residence (its seat) after the suit has been brought, he shall inform the court thereof.

Article 27. If a case is raised by a person who is not qualified for a plaintiff or is raised against a person who is not qualified for a defendant, the

court may replace the said person with a qualified person instead of dismissing the case.

Even if the litigant disagrees to the replacement, it may summon a qualified person as the plaintiff or defendant.

Article 28. A suit may be brought by one or several litigants against one or several litigants.

The coplaintiffs or codefendants shall conduct acts of litigation independently and may leave such acts in the hands of the other coplaintiff or

codefendant.

Article 29. A third person who has an independent claim to the object of the claim in the presented case may start a suit against the litigant according to the proceedings stipulated in Chapter 6 of this Act and participate in the trial.

The third person shall have the same rights as the plaintiff.

Article 30. Where a third person is interested in the results of the trial although he does not have an independent claim to the object of the claim in the presented case, he may take part in the trial dealing with the presented case on his request, the application of a litigant or the determination of the court. In this case, he may not waive, admit or change the claim, make a compromise with a litigant, or ask for the execution of the judgement or bring a cross action.

Article 31. If the litigious rights and duties are transferred to a third person by a contract or in accordance with a decision or instruction of a competent organ after a suit has been raised or if a litigant is dead, the litigious rights and duties shall be transferred to the new litigant.

In this case, the acts of litigation that have already been conducted shall continue to be effective.

Article 32. An institution, enterprise or organization shall perform acts of litigation through a representative or an attorney.

A citizen shall conduct an act of litigation by himself or through an attorney.

The invalid shall conduct an act of litigation through parents or a guardian.

Article 33. The litigant who wants to conduct an act of litigation through an attorney shall give a warrant of attorney to the latter.

The attorney in charge of the case shall present the warrant to the court. If a litigant leaves the act of litigation in the hands of his attorney at the court, the protocol of trial that records the fact shall take the place of the warrant.

Article 34. If a litigant entrusts the attorney with acts of litigation such as giving up or admitting the claim, making a compromise, or giving or receiving money and goods, he shall write down them in the warrant.

Article 35. A lawyer, the person who is entrusted by a litigant, or a legal representative may act as attorney.

A disfranchised person or an invalid shall not act as attorney.

Chapter 4. Evidence

Article 36. Evidence shall comprise a statement of a litigant or a witness, evidentiary documents, material evidence, the results of expert assessment and inspection and so on.

The court shall deal with civil cases on the basis of scientific evidence.

Article 37. A litigant shall establish his statements and produce evidence necessary for such establishment to the court.

When the court regards evidence as insufficient, it may ask the litigant

for more evidence.

Article 38. The court may collect evidence in order to examine the case correctly.

Article 39. A litigant shall present evidence needed for the settlement of the case before the trial begins. However, he may produce even after the trial has begun evidence that is substantially important in settling the case.

Article 40. Evidence produced by a litigant or gathered by the court may be used as a basis of the judgement and settlement only after it has been examined and confirmed objectively during examination of facts.

Article 41. When the court has to collect evidence outside its jurisdiction, it may request the relevant court to do it.

The relevant court shall gather and send the evidence within the period fixed in the written request.

Article 42. The witness shall be a person who knows important facts related to the ease.

A person who neither understands nor makes him understood because of mental and other physical disorders shall not act as a witness.

Article 43. The witness may personally write or verbally express the facts that he knows and, if he finds his statements recorded wrongfully, he may ask for their revision.

Article 44. The witness shall state the facts he knows in regard with the case as they stand.

Article 45. The witness who is summoned by the court shall arrive in time at the venue stated in the writ of summons.

In case the witness fails to make response to the summon of the court, he may be taken into custody.

Article 46. An institution, enterprise, organization or citizen shall produce in time evidentiary documents and evidence that are demanded by the court.

If the original documents cannot be produced, the copies shall do. In this case, they shall be tested by the notary public.

Article 47. When the court needs special knowledge for examination of case, it may decide to assign an expert assessment.

The written finding shall contain the subjects, contents and period of expert assessment, and shall state the assessment agency or the expert assessor and their duties.

Article 48. Expert assessment shall be entrusted to the professional assessment agency.

When there is no appropriate agency, it may be entrusted to a person who has a State qualification or professional knowledge in the relevant area.

Article 49. The expert witness may ask the court for evidence helpful to expert assessment and, when he needs professional knowledge in another area, he may ask for assistance of an appropriate expert in that area.

With the judge's approval, the expert witness may ask a litigant and a

witness questions needed for expert assessment and may take part in field examination.

Article 50. The expert witness shall carry out his assignment properly and present a written opinion to the court, and take part in the trial as required by the court.

Article 51. When the court regards the expert assessment as being insufficient or as having been done wrongfully, it may decide to have the expert assessment done again or to entrust it to another expert witness.

Article 52. Where it is necessary, a litigant may ask the court to preserve as evidence the statements of the witness, evidentiary documents and material evidence before the trial begins. In this case, the court, if it considers the request reasonable, shall collect evidence and draw up a protocol.

Chapter 5. Court Jurisdiction

Article 53. The civil trial shall deal with the following cases:

1. Disputes as to property except cases that are to be settled by arbitration or according to administrative procedures,
2. Divorce,
3. Claim for expenses of bringing up children and supporting dependants,
4. Confirmation of civil rights and facts of legal importance, and
5. Other cases stipulated to be settled by the civil trial.

Article 54. A people's court shall judge civil cases outside the jurisdiction of a court of the province (or municipality directly under central authority), special court or Central Court.

A court of the province (or municipality directly under central authority) shall judge the civil cases to which province-level institutions and enterprises or foreign corporate bodies and foreigners are parties, and may directly judge or transfer to any other people's court any case that falls under the jurisdiction of a people's court in the province (or municipality directly under central authority).

The Central Court may directly judge any case or transfer it to any other provincial (city) court or a people's court.

Article 55. A civil case shall be judged by the court that has jurisdiction over the defendants place of residence.

A trial involving several defendants with different places of residence shall be conducted by the court that exercises jurisdiction over the place of residence of one of them.

Article 56. Any of the following cases shall be tried by the court that has jurisdiction over the place of residence of the plaintiff:

1. Claim for property of an institution, enterprise or organization against a citizen,
2. Claim for expenses of bringing up children and supporting

dependants,

3. Claim to compensate for damages to health and risks to life,

4. Cases raised by a mother who has a baby of less than one year or several children,

5. Cases raised against a prisoner, and

6. Cases raised against a person whose whereabouts is unknown.

Article 57. Any case that arises by a juristic act conducted by an institution, enterprise or organization shall be tried by the court that exercises jurisdiction over the place where the juristic act is committed or where the contract is implemented.

Article 58. Any case involving a claim for real property shall be tried by the court that has jurisdiction over the place where the said property is located.

Article 59. Any case related to freight transportation that is raised against a transportation company shall be tried by the court that exercises jurisdiction over the place where the freight is to arrive or has arrived or where they have been sent.

Article 60. Any case that arises by a cross action brought by a litigant or that is raised by a third person against a litigant shall be tried by the court that has already begun the trial of the original case.

Article 61. Where a court receives a case that is raised in violation of any of Articles 55, 56, 57, 58 and 59 of this Act, it shall transfer it to the relevant court.

Any case whose trial has already begun or which has come from another court shall not be transferred to another court.

Article 62. If it is considered rational that a case that falls under its jurisdiction is transferred to another court, a people's court may send it to the relevant court with approval of the provincial (city) court.

If it intends to send it to a court in another province (or municipality directly under central authority), it shall gain the Central Court's approval.

Chapter 6. Institution of a Lawsuit

Article 63. An institution, enterprise, organization or citizen may bring a suit to the court in order to have its (his) civil rights and interests protected.

The public prosecutor may bring a suit to the court in order to protect the interests of the State, society and citizens.

Article 64. The person who intends to bring a suit shall present a note of litigation to the court.

Article 65. The litigation shall be deemed as being raised on the day when the court receives the note of litigation presented by the litigant.

However, where the note of litigation is sent by mail or as confidential document, the litigation shall be deemed as being raised on the day when it is posted.

Where documents of litigation other than a note of litigation are sent by mail or as confidential document, it shall be deemed as being raised on the day when the note of litigation has been sent.

Article 66. The note of litigation shall state the name of the court, the name of litigant and his age, sex, workplace, occupation and address, the content of the claim and facts of evidence.

Article 67. The followings shall be appended to the note of litigation:

1. Copies of litigation notes corresponding to the number of defendants,
2. Document of attestation of the notary's office in a case dealing with a person whose whereabouts is unknown,
3. List of properties in case of a claim for the distribution of property,
4. Warrant where the case is brought by an attorney,
5. Stamps for the delivery of documents, and
6. Receipt certifying the payment of the State charges.

Article 68. The following cases may be brought to court without paying the State charges:

1. Claims for the expenses of bringing up children and supporting dependants,
2. Claims for compensation for damages to health and risks to life,
3. Claims for damages caused by acts of crime, and
4. Cases raised by the public prosecutor.

Article 69. The defendant may bring a cross action against the plaintiff.

The cross action shall be brought in accordance with Articles 64, 66 and 67 of this Act before the trial begins. However, it may be instituted even after the trial has begun, depending on the nature of the case.

Article 70. The court shall examine the note of litigation presented by the plaintiff and, if it finds it not sufficient to conform to Articles 66 and 67 of this Act, it shall give an appropriate period for the plaintiff to correct the errors.

Where the errors are corrected within the fixed period, the litigation shall be admitted as having been brought on the day when the court has first received the note of litigation. However, if they fail to be revised within the fixed period, the note shall be sent back.

Article 71. If the lawsuit falls under any of the categories specified in Article 86 of this Act, the court shall dismiss the institution of a lawsuit.

Article 72. If a litigant is aggrieved at rejection or dismissal of his note of litigation by the court, he may present a complaint to a higher court within 10 days.

The court shall settle the case within 10 days of receiving the complaint.

Article 73. The court may, with its own determination or on the request of a litigant, incorporate or divide the case according to its nature.

Chapter 7. Preparations for Trial

Article 74. Preparations for trial shall be made in order to deal with

civil cases quickly and properly.

The preparations shall be made by the judge who is in charge of the case.

Article 75. The judge shall send a copy of the note of litigation presented by the plaintiff to the defendant within 2 days and shall ask him to present a defense within 3 days from the day when he receives the copy.

A copy of the defense shall be sent to the plaintiff within 5 days from the day when it is received.

Article 76. During preparation, the judge shall collect evidence needed for the settlement of the case and solve procedural issues related to the handling of the case.

Article 77. The judge may meet a litigant for the sake of preparations.

Where the litigant avoids trial or cause hindrance to the settlement of the case, a finding on holding him in custody may be passed.

Article 78. The judge may request an expert assessment and conduct on-the-spot investigation during preparations. However, he may not verify facts by meeting witnesses face-to-face.

Article 79. The judge may carry out on-the-spot investigation during preparations.

Litigants and persons concerned may be allowed to participate in on-the-spot investigation, and two observers shall be present.

Article 80. Whenever the judge gathers evidences or carries out on-the-spot investigation, he shall draw up a protocol.

The protocol shall describe the state of the scene at that time, characteristics and results of the investigation in the order of the investigation, and a rough sketch, photographs, video recordings, etc. may be added.

Article 81. The judge may, at any time during the period from the institution of the case to the making of the judgement, make a finding ordering that property of the defendant be held on security, according to the application of a litigant or by his own determination.

Such order shall be given when it is considered impossible to execute the judgement without the property in question.

The finding on the holding of the property on security shall be carried out by the executor of the relevant court.

Article 82. If the holding of property on security is considered to be unnecessary or to be wrong, it shall be cancelled or dismissed by a finding.

Article 83. If any of the following conditions is created during preparations, the judge shall announce the suspension of preparations by a finding:

1. When a litigant is dead,
2. When the institution, enterprise or organization that is a litigant is dissolved,
3. When the case is impossible to be settled until another case that is being dealt with by trial, arbitration or through administrative procedures is

settled, and

4. When the act of litigation is impossible to be continued because of occurrence of a special circumstance.

Article 84. The court shall decide to continue preparations and resume them according to the application of a litigant or by its own determination within 3 months after preparations are suspended according to section 1 or 2 of Article 83, or after the circumstances that caused the suspension of preparations according to section 3 or 4 of the same article has disappeared.

Article 85. Where the plaintiff waives his claim or the litigants request dismissal of litigation on the basis of compromise made between them, the judge shall approve it by a finding if it does not go counter to law.

Article 86. The court shall dismiss the following cases by a finding.

1. Cases that should be dealt with by arbitration or through administrative procedures,
2. Cases on which the conclusive judgement or finding has been passed,
3. Cases in which a person who cannot be a litigant is the plaintiff and such a person cannot be replaced with a qualified person,
4. Cases in which a litigant is dead and his rights and duties cannot be transferred to any other person,
5. Cases that are raised against a soldier or a non-commissioned officer of the Korean People's Army and the Korean People's Security Forces,
6. Cases of divorce which involve women who are pregnant or who bring up children under the age of 1, and
7. Cases of divorce raised in less than 1 year after the judgement or finding of the court on divorce has been passed.

Article 87. If he disagrees with the finding of dismissal of the case during preparations for trial, the litigant may appeal to a higher court within 10 days after receipt of the tenor of the finding.

Article 88. If the judge believes that preparations have been made sufficiently, he shall decide to transfer the case to the trial.

The written finding shall state the date and venue of the trial, witnesses and expert witnesses, and whether it will be open or closed to the public.

Article 89. The judge shall inform the public prosecutor, the litigants and other persons concerned of the date and venue of the trial 7 days before the trial begins.

Article 90. The court shall give notices related to acts of litigation, including a notice of the date of trial, by letter and shall deliver documents of litigation directly to the person concerned or send them by mail.

Article 91. The judge shall draw up a protocol describing acts conducted during preparations for trial.

If necessary, he may let the clerk participate in preparations to draw up a protocol.

Chapter 8. Trial

Article 92. The trial shall be conducted by the court consisting of the chief judge or judge and two people's assessors.

If the case has been raised with regard to the claim for divorce from a person, who is functionally disabled, whose whereabouts are certain or who has been sentenced to reformatory labour, to the execution of the judgement, finding of an award of the external economic arbitration, or to the notarial work, the judge may conduct the trial alone.

The clerk shall take part in the trial.

Article 93. The trial of a case shall be conducted by the members of the same court.

If a member of the court is replaced during the trial, the trial shall restart.

Article 94. The public prosecutor shall take part in the trial. However, the trial may proceed even when he is not present.

Article 95. The chief judge shall direct the trial and behaviors of the litigants so as to find out the real truth of the case and control them to maintain order.

Article 96. The chief judge shall announce the beginning of the trial and identify the litigants.

Article 97. If a litigant is absent, the trial shall be postponed.

If the defendant fails to be present without appropriate reasons even after he is summoned to the court twice or if he requests the court to conduct the trial in his absence, the trial may be conducted in the absence of one party, the defendant or the person who has raised the case.

If the defendant fails to be present at the court without appropriate reasons even after he is summoned to the court twice or requests the court to conduct the trial in his absence, the trial may be conducted in the absence of the defendant or a litigant.

In this case, the litigation may be made again.

Article 98. The chief judge shall let the litigants know their litigious rights and duties.

Article 99. The chief judge shall confirm the presence of the witness, expert witness, interpreter and construer.

If the witness and expert witness are absent, he shall ask the public prosecutor and the litigants of their opinions and may continue or postpone the trial.

If the interpreter and construer are not present, the trial shall be postponed.

Article 100. The chief judge shall introduce to the litigants the members of the court, public prosecutor, clerk, expert witness, interpreter and construer, ask them if they have an opinion of replacing them and settle the problems raised.

Article 101. The chief judge shall ask the litigant if he has any new evidence to produce, wants any other witness summoned or has anything to ask for, and shall meet his request if there is any.

Article 102. If new evidence is required by the litigant to be collected, which is complicated and takes a lot of time, the chief judge shall postpone the trial by a finding.

Article 103. The chief judge shall announce the beginning of examination of facts and then let the plaintiff make a statement and the defendant make a defense.

Article 104. The court shall ask the public prosecutor of his opinion and set the order of examination.

Article 105. Hearing of the litigants shall be done in the order of the chief judge, people's assessors and public prosecutor and, when it is over, the litigants shall start cross-question.

The expert witness may put questions to a litigant with the chief judge's approval.

Article 106. Hearing of the witnesses shall be conducted by calling one person after another to the box.

The chief judge shall first ask the witness if the latter is the witness and what relations he has with the litigant and shall tell him that, if he makes false statements, he shall be responsible for that before the law, and then shall let him state the facts he knows about the case.

Article 107. When the witness finishes his statements, the *chief* judge shall let the litigant who has asked for examination of the said witness put questions first and then allow the other litigant to put questions.

Other persons related to the litigation may ask questions to the witness with the chief judge's approval.

The court may hear the witness who has been previously examined in front of another witness or may conduct a face-to-face examination.

Article 108. If a minor is called to the box as a witness, the court shall make his parents, guardian, teacher or some other patron attend.

Article 109. Where the trial is to be postponed, the court may decide to examine the witness present and not to summon him to the next trial.

Article 110. The witness shall not leave the set venue until the trial comes to an end. Where necessary, after asking the opinion of the litigants, the chief judge may release the witness, who has already been examined before the trial comes to a close.

Article 111. When the court has collected evidence or examined the witness according to Articles 41 and 52, it shall read and check the protocol describing it in examination of facts.

Article 112. If the facts are made clear, the court may discontinue examination of the witness after asking the litigants and public prosecutor of their opinions.

Article 113. Hearing of the expert witness shall be conducted in such a

way as identifying him, allowing him to describe the results of expert assessment and putting questions to him.

The litigant may address questions to the expert witness with the chief judge's approval.

If the expert witness is absent, the hearing shall be done by reading and examining the written expert opinion.

Article 114. If expert assessment is required to be made or re-made during examination of facts, the court shall suspend the trial and decide to seek an expert opinion.

Article 115. Examination of evidence and evidentiary documents shall be conducted by listening to the appropriate litigant and questioning him with the said documents put out at the venue of the trial.

Article 116. The chief judge, when authorized by the court, may investigate the scene or confirm the material evidence on the scene during the trial. In this case a protocol shall be drawn up, and it shall be examined in the trial in order for it to be used as a basis of the judgement and finding.

Article 117. If any circumstance pointed out in Articles 83, 85 or 86 arises during the trial, the court shall examine it and pass an appropriate finding on it.

Article 118. When a divorce case is on trial, the court shall also settle the questions of bringing up children and disposing of property.

In case a party to the divorce case requires support for a certain period, the court shall settle the problem related with the duty of the other party for supporting the former.

Article 119. The court shall examine the question of court expenses and their payment.

Article 120. The chief judge shall let the people's assessors, public prosecutor and litigants put additional questions.

Article 121. If the truth of the case is considered to have been revealed fully, the chief judge shall ask the litigants, people's assessors and the public prosecutor if they agree to the conclusion of the trial and shall announce the end of the trial after discussing with the people's assessors.

Article 122. After examination of facts is over, the chief judge shall give the litigants an opportunity to speak and the public prosecutor to express his opinion on the settlement of the case.

If a litigant submits a new fact essentially important in the settlement of the trial, the trial shall resume.

Article 123. When examination is over, the chief judge shall inform the litigants of it and walk out with the people's assessors to the consultation room in order to adopt a judgement.

Article 124. The clerk shall draw up a protocol of the trial within 3 days from the day when the trial has come to an end with the following content:

1. Date of trial and name of the court,
2. Names of the bench, public prosecutor and clerk,

3. Name of the case,
4. Venue of trial and whether the trial was open or closed,
5. Name of the litigants and a summary of their social status,
6. All the acts conducted by the court in the order of their conducting,
7. Opinions made by the litigants and their statements,
8. Findings passed by the court during trial,
9. Final statements of the litigants, and
10. Opinion of the public prosecutor.

Article 125. The litigants and public prosecutor may read the protocol within 5 days from the day following the end of the period of drawing up a protocol of trial and, if they find omissions or incorrect expressions in the protocol, they may submit a written application for correcting them.

If the chief judge finds their opinion right, he shall decide the revision of the protocol by a finding and, if he finds them wrong, he shall dismiss their application by a finding describing the reason.

Chapter 9. Judgement and Finding

Article 126. If it is believed that truth of the case has been fully revealed on the basis of scientific evidence thoroughly examined in the trial, the court shall adopt a judgement as required by the law of the DPRK.

Only the judge and people's assessors who have handled the appropriate case shall participate in the adoption of judgement.

Article 127. When the court adopts a judgement, it shall discuss and decide the following issues:

1. Whether the claim of the plaintiff and the defense of the defendant have grounds,
2. How to deal with the claim by applying which laws and regulations,
3. How to deal with evidences and property held on security,
4. Which legal action shall be applied to the law violator, and
5. By whom and how much of the court expenses are to be borne.

Article 128. Judgement shall be adopted by a majority vote of the court. If the judge or a people's assessor disagrees with the majority opinion, he may present a written opinion. It shall not be read when judgement is delivered.

Article 129. The court shall pass either of the following judgements:

1. Judgement acknowledging the claim, or
2. Judgement rejecting the claim.

Article 130. The court shall properly deal with the property held on security and, out of evidentiary documents and evidence, those that shall not be sent back to the owner shall be put to records or confiscated and the rest of them shall be returned to the owner.

When material evidence is given back to the owner, the certificatory documents shall be affixed to the records of the case.

Article 131. The court shall settle the court expenses as follows:

1. If the claim of the plaintiff is accepted, the defendant shall be liable to bear the expenses; and if it is rejected, the plaintiff shall be liable to bear the expenses, and

2. If the claim for a case stipulated in Article 68 of this Law is admitted, the State charges shall be imposed on the defendant.

Article 132. Judgement shall be passed on the day when the trial is over.

Article 133. The written judgement shall include the following contents:

1. Date of trial and name of the court,
2. Names of the members of the court, public prosecutor and clerk,
3. Name of the case, venue of trial and whether it was an open or closed trial,
4. Names of the litigants and a summary of their social status,
5. Claim of the plaintiff and defense of the defendant,
6. Facts and evidence admitted by the court,
7. Legislation on which the judgement is based,
8. Finding on admittance or rejection of claim,
9. Dealing with property held on security and material evidence,
10. Bearing of the court expenses, and
11. Methods of executing the judgement and finding, and procedures of appeal and protest.

Article 134. Judgement shall be pronounced in the name of the Democratic People's Republic of Korea.

Article 135. If the court discovers that the parties to divorce or other cases have violated legal order, caused domestic troubles or committed other illegal acts during the trial, destroying the social atmosphere, it may take measures to inflict an appropriate punishment. If the illegal act is very grave, it gives a finding of penal punishment.

Article 136. The court shall settle the following issues by a finding:

1. When the case is transferred or a litigant is replaced,
2. When the judge settles the case alone or stops the handling of the case during preparations for trial,
3. When disputes as to the procedures of the trial are dealt with,
4. When the application of a litigant is dealt with,
5. When punishment is inflicted on delicts discovered during the trial, and
6. When the application for execution of an award of the external economic arbitration body is dealt with.

Article 137. The adoption of a finding shall be conducted according to the same procedures as a judgement.

A finding on trifles concerning the procedures of trial shall be given by writing down it in the protocol of the trial.

Article 138. The first trial court shall not revoke the judgement and finding that has already been delivered. However, a finding relevant to section 4 of Article 136 of this Act and a final and conclusive judgement and finding passed on the claims for expenses of bringing up children and supporting dependants may be altered.

Article 139. If a litigant or the public prosecutor has something disagreeable with a judgement or finding by the first trial, he shall reserve the right to lodge an appeal or protest.

If an appeal or protest is lodged, the judgement or finding shall not be executed.

No appeal or protest shall be made against a judgement or finding by the Central Court.

Article 140. The appeal or protest shall be made within 10 days from the day when the tenors of written judgement or finding are received.

The tenors of the written judgement or finding shall be handed over to the litigants and public prosecutor within 2 days from the day when the judgement or finding is delivered.

Article 141. The litigant or the public prosecutor who wants to lodge an appeal or protest shall submit a note of appeal or a written protest to the first trial court that has passed the judgement or finding.

The note of appeal or the written protest shall contain the reasons for the appeal or protest and the demands, and may disclose materials that have not been submitted to the first trial.

A certificate of paying the State charges shall be affixed to the note of appeal.

Article 142. When the period of appeal and protest expires, the first trial court shall send the note of appeal or the written protest to a higher court with the records of the appropriate case.

Article 143. If the public prosecutor from a higher prosecutor's office considers the protest made by the public prosecutor of the lower office wrongful, he may cancel it.

Article 144. The litigant who has appealed against a judgement or finding of the first trial court shall reserve the right to waive it before the second trial begins.

Article 145. Judgement shall be finalized in the following cases:

1. When the period expires without appeal or protest,
2. When the second trial court supports the judgement by the first trial court although an appeal or protest has been lodged, and
3. When a final and conclusive judgement is passed.

Chapter 10. Second Trial

Article 146. On the basis of the appeal, protest and records of the case, the second trial shall comprehensively examine whether the judgement and finding by the first trial conform to the requirements of law and are based on

scientific evidence and shall correct any errors.

Article 147. The second trial shall be administered by the court consisting of 3 judges.

The litigants and public prosecutor shall participate in the second trial. However, the trial may proceed even if the litigants or the public prosecutor is not present.

The date of trial shall be notified to the public prosecutor and litigants not later than 3 days before the second trial begins.

Article 148. The second trial shall be administered in such a way that the judge delivers the report on the case, examines the case and listens to the litigants and public prosecutor.

Article 149. The second trial court and public prosecutor may put questions to the litigants on the basis of the records of the first trial and the presented appeal or protest. However, examination of facts on the case shall not be conducted.

Article 150. If the judgement and finding by the first trial are considered right, the second trial shall support them and decide to reject the appeal or protest.

Article 151. If the first trial court has failed to pass a correct judgement or finding although it has revealed the truth of the case so obviously that collection of new evidence and fact-finding are no more needed, the second trial court shall reserve the right to correct it.

Article 152. In any of the following cases, the second trial court shall revoke the judgement or finding of the first trial, decide to reexamine the case and return it to the stage of preparations for or of the proceeding of the first trial:

1. When composition of the court has failed to comply with law,
2. When facts that are substantially important to the settlement of the case have not been found,
3. When the trial is based on evidence that has not been checked or facts that have not been clarified, and
4. When the litigant has not been provided with the litigious rights or a person who is not qualified for a litigant is recognized as the plaintiff or the defendant.

Article 153. If the second trial finds any reason as to Article 86 of this Act during the trial, it shall revoke the judgement or finding by the first trial and give a finding dismissing the case.

Article 154. Even when the second trial does not revoke the judgement or finding by the first trial, it may give a separate finding pointing out errors of the first trial.

Article 155. No appeal or protest shall be lodged against the finding of the second trial court.

Chapter 11. Extraordinary Appeal

Article 156. When a final and conclusive judgement or finding goes against law, it shall be corrected according to the procedures of the extraordinary appeal.

Article 157. The extraordinary appeal may be made any time when essentially illegal acts are found in the records of the case.

Article 158. The extraordinary appeal shall be lodged to the Central Court by the Chief Justice or by the Prosecutor-General.

Article 159. The Chief Justice or the Prosecutor-General shall reserve the right to ask for the records of any case that has been settled by a court and to suspend the execution of the judgement or finding on the appropriate case in order to lodge an extraordinary appeal.

The execution of a judgement or finding by the Central Court shall not be suspended.

Article 160. The court and prosecutor's office may ask for the records of a case that has been handled under its jurisdiction in order to apply for an extraordinary appeal.

If they find any reason of the application for the extraordinary appeal in the records, they shall send the records of the case with appropriate opinions affixed to the Chief Justice or the Prosecutor-General, and if they fail to do so, they shall send back the records to the appropriate court.

Article 161. A litigant or a person who is interested in the settlement of the case shall reserve the right to request the appropriate court or prosecutor's office to apply for an extraordinary appeal.

Article 162. An extraordinary appeal against a judgement or finding by any court other than the Central Court shall be examined and settled by the court consisting of 3 judges from the Central Court; and an extraordinary appeal against a judgement or finding by the Central Court shall be examined and settled by the judges' council of the Central Court.

Article 163. The judges' council of the Central Court shall consist of the Chief Justice, his deputy and judges.

The judges' council shall be held when the two thirds or more of all the members are present and the finding shall be adopted by a majority vote of the members who are present.

The judges' council shall be presided over by the Chief Justice.

Article 164. The Prosecutor-General shall take part in the judges' council.

The public prosecutor from the Central Prosecutor's Office shall participate in the examination of an extraordinary appeal conducted by the court consisting of 3 judges from the Central Court.

The date of the examination of the extraordinary appeal shall be notified to the Central Prosecutor's Office 3 days in advance.

Article 165. In the trial of an extraordinary appeal, the report on the case shall be heard and the presented materials examined, and the opinions of the Prosecutor-General or the public prosecutor shall be heard.

A case of the extraordinary appeal shall be settled by a finding.

Article 166. If a final and conclusive judgement or finding is changed or revoked through an extraordinary appeal, the Central Court shall settle the issue of the executed property.

Chapter 12. Retrial

Article 167. If any of the following new facts is found, retrial shall be staged in order to correct the judgement or finding that has already been finalized:

1. When evidence that has served as the basis of the judgement and finding is confirmed as being false,

2. When a fact which can affect the judgement and finding is found after the trial is over,

3. When it is found that a litigant or a member of the court has committed illegal acts that may affect the settlement of the case, or

4. When it is found that the judgement or finding was based on a judgement or finding, or a decision or instruction of a State organ that had previously been revoked.

Article 168. The retrial shall be proposed to the Chief Justice or Prosecutor-General.

Article 169. The court and the prosecutor's office, if necessary, may apply for retrial.

The retrial shall be applied for to a higher court or prosecutor's office.

Article 170. A litigant or a third person interested may request the appropriate court or prosecutor's office to apply for retrial.

The retrial shall be applied for within 3 months from the day when the appropriate reason is found and evidence shall be affixed to the written application.

Article 171. If the court or the prosecutor's office has received the application for retrial, it shall conduct the necessary fact-finding within 1 month. If the reason for the application is regarded right, it shall send it with its opinions affixed to the Central Court or the Central Prosecutor's Office; if it is considered wrongful, it shall reject it by a finding or decision.

Article 172. The case brought to retrial shall be examined and settled by the court consisting of 3 judges from the Central Court.

A public prosecutor from the Central Prosecutor's Office shall take part in the retrial.

The Central Court shall inform the Central Prosecutor's Office of the date of the retrial 3 days ahead.

Article 173. The retrial shall be conducted by hearing the report on the case, examining the reason for the application, and listening to the public prosecutor from the Central Prosecutor's Office.

Article 174. After conducting the retrial, the Central Court shall, if the reason for the application is considered right, revoke the final and conclusive judgement or finding, and shall remand the case to the first trial court for reexamination or revoke the case itself.

If the application for retrial is considered unreasonable, it shall be rejected.

Chapter 13. Execution of Judgement and Finding

Article 175. The judgement and finding shall be executed by the executor of the court after they are finalized.

Institutions, enterprises, organizations and citizens shall comply with demands of the executor related to the execution of the judgement and finding.

Article 176. If the judgement or finding on the claim for property is finalized, the judge from the court that has passed the said judgement or finding shall issue a writ of execution according to his determination or on the request of the litigant.

The application for the issuance of a writ of execution shall be made within 2 months from the day when the judgement or finding is finalized.

The executor shall perform the writ of execution within 1 month from the day when he has received it.

Article 177. The executor shall let the obligor participate in the execution when he is to conduct an act of execution.

The obligor may point out the property to be executed.

Article 178. Execution of the property owned by an institution, enterprise or organization shall be carried out through an appropriate bank.

The appropriate bank shall carry out the execution within 10 days from the day when it has received the writ and shall inform the executor of the result.

Article 179. The judge may suspend the execution for a certain period in any of the following cases:

1. When the debtor has a reason that should be taken into account,
2. When the litigants, who are citizens, ask for the discontinuation of the execution after they have agreed with one another, or
3. When the execution is impossible because the property does not exist.

Article 180. After execution has been carried out, the executor shall hand over executed property to the person entitled to it and produce a protocol of execution to the judge.

Article 181. The court shall reject the execution in the following cases:

1. When the judgement or finding on which the writ of execution is based has been revoked,
2. When the execution is applied for after the set period has expired,

and

3. When the litigant, who is a citizen, has waived the application for the execution.

Article 182. If a litigant or a third person interested is aggrieved with an act of execution conducted by the executor, he may present a complaint to the court to which the executor belongs.

If the court receives the complaint, it shall examine and settle it within 15 days in the presence of the applicant.

If a litigant is aggrieved with a finding by the court, he may appeal to a higher court.

THE LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON PROCESSING TRADE

Adopted by Decree No. 1978 of the Presidium of the Supreme People's Assembly on December 26, 2000, and approved by Ordinance No. 8 of the Supreme People's Assembly on April 5, 2001

Chapter 1. Fundamentals

Article 1. The Law of the DPRK on Processing Trade shall contribute to increasing foreign currency revenues and expanding and developing external economic exchanges by establishing a strict system and order in processing trade.

Article 2. The State shall encourage processing trade. Processing trade shall be carried out on the principles of increasing foreign currency earnings and sustaining credit by properly selecting transaction partner, form of transaction and processing indices and estimating processing capacities and demand situation in international markets.

Article 3. Processing trade may take various forms such as consignment processing trade whereby the processor receives raw materials, semi-finished goods or spare parts from a foreign enterprise and process or assemble them in exchange for a processing fee, and bonded processing trade whereby raw materials, semi-finished goods or spare parts are imported free of customs duty from a foreign enterprise under the supervision of the customs and, after being processed or assembled, are exported again.

Article 4. Processing trade may be carried out in various areas. However, bonded processing trade shall take place only in a special economic zone such as the Rason economic and trade zone.

Article 5. Processing trade shall be conducted by trading companies of the State or social and cooperative organizations. Where necessary, a factory or an enterprise may also be engaged in processing trade, in which case it shall be agreed upon with the relevant senior organ.

Article 6. Any matter not provided for in this Law shall be governed by relevant laws and regulations including the Trade Law and the External Economic Contract Law.

Processing trade carried out by foreign-invested enterprises shall be governed by relevant laws and regulations dealing with foreign-invested enterprises.

Article 7. The State shall develop cooperation and exchange with various foreign countries and international organizations in the field of processing trade.

Chapter 2. Selection and Screening of Processing Trade Projects

Article 8. Selection of a processing trade project is a priority of processing trade.

A trading company, factory or enterprise shall select projects with economic and technical potentials and favourable credit conditions, projects that can produce profits by using its processing capacities, projects that can contribute to the development of science and technology and to the renewal of equipment of the unit concerned and projects that are in great demand in international markets.

Article 9. A trading company, factory or enterprise shall agree in writing with the foreign enterprise selected as the processing trade partner on the items, quantity, period of production, trademark, place of origin, processing fee, the method of its payment and the like before concluding a contract.

Article 10. An application for processing trade shall be screened by the central trade guidance organ.

In a special economic zone such as the Rason economic and trade zone, it shall be screened by the Zone Administration.

Article 11. A trading company, factory or enterprise shall submit to the relevant processing trade screening body an application for processing trade stating the following:

1. An application for consignment processing trade shall state the name and address of the trading company, factory or enterprise) category of business, the name and address of the foreign enterprise, a list of raw materials, semi-finished goods or spare parts to be provided by the foreign enterprise, the items and quantities of the products to be processed or assembled, the period of production, processing capacity, an economic and technical feasibility study, processing fee and the data used as the basis for its calculation, and

2. An application for bonded processing trade shall state the name of the bonded area, the name and address of the factory or enterprise to be engaged in bonded processing trade, the category of business, processing capacity, a list of raw materials, semi-finished goods or spare parts to be imported, the amount of import, the items and quantities of the products to be processed, equipment and their technical condition, a feasibility study, information as to a guarantee to export realization and the like.

Article 12. No approval for processing trade shall be given to projects that are not capable of carrying out the processing of products, projects that have fixed processing fees at a low level and projects that may do harm to the national security and the common interests of the society.

Article 13. The processing trade screening body shall screen an application for processing trade and notify the applicant of its decision within 15 days of receipt of the application.

Chapter 3. Conclusion and Performance of a Processing Trade Contract

Article 14. Proper conclusion and performance of a processing trade contract is an important guarantee for the success of a processing trade project.

A trading company, factory or enterprise shall conclude a processing trade contract with the foreign enterprise after an approval has been given to the application for processing trade.

Article 15. A consignment processing trade contract shall state the names of the parties to the contract, the items and quantities of raw materials, semi-finished goods and spare parts, the items and quantities of products to be processed or assembled, trademark, place of origin, the period of production, the scope of processing fee and method of its payment and provide for breaches and damages, settlement of disputes and the like.

A bonded processing trade contract shall state the names of the parties, the items, quantities, specification, quality and prices of the goods traded, and provide for the method of delivery, breaches and the like.

Article 16. A trading company, factory or enterprise shall make customs registration within 5 days of the conclusion of the processing trade contract.

Article 17. The parties to a processing trade contract shall implement the contract in time.

A trading company, factory or enterprise may require the foreign enterprise to establish a contract performance guarantee.

Article 18. A party to a processing trade contract may claim a penalty for breach and damages in any of the following cases:

1. Where the performance of the contract has been delayed or rejected without any valid reason,
2. Where package, quality, quantity and the like does not conform to the condition of the contract,
3. Where the processing fee has not been paid or the payment for the goods has not been made in time as specified in the contract, or
4. In case of any other breach of the contract.

Article 19. Where products processed or assembled have not been packaged according to the conditions of the contract or where they have been processed or assembled by using substitute raw materials, semi-finished goods or spare parts, the foreign enterprise may require them to be re-packaged or refuse to take over the processed or assembled products.

In this case, the trading company, factory or enterprise shall bear the resulting expenses by itself and pay a penalty for breach.

Article 20. Where the foreign enterprise fails to take over the processed or assembled products in time, the trading company, factory or enterprise may accordingly receive the payment of a penalty and storage expenses.

In case 3 months have elapsed since the expiration of the period during

which the processed or assembled goods are to be taken over, the goods may be sold or disposed of.

Article 21. The parties to a processing trade contract may change provisions and period of the contract through mutual consultation. In this case, the relevant processing trade screening body shall be notified of such change.

Article 22. The trading company, factory or enterprise shall keep confidential the technology provided by the foreign enterprise under the contract.

Chapter 4. Operation of a Processing Trade Project

Article 23. Establishment of a proper operational order is an important requirement for processing trade.

Trading companies, factories or enterprises engaged in processing trade shall carry out their business activities according to an order set by the State.

Article 24. A trading company, factory or enterprise may receive or import from a foreign enterprise raw materials, semi-finished goods, packaging materials, machinery and equipment and management supplies that are necessary for processing trade. In this case, no permission shall be necessary and no customs duty shall be payable.

Article 25. A trading company, factory or enterprise shall submit to its senior institution information on the requirements of domestic labour force, raw materials, power, water, packaging materials, funds, and the like that are necessary for the processing work.

The relevant senior institution shall review the requirements and take measures to meet them by their inclusion in the State plan or the Zone plan.

Article 26. Where the enterprise cannot process some special parts due to a shortage in its processing capacity, it may commission another factory or enterprise, or a foreign-invested enterprise or a foreign enterprise to process them. In this case, a contract shall be made.

Article 27. A trading company, factory or enterprise shall pay to the State a specified portion of its revenue earned from processing trade.

No depreciation charge shall be payable with respect to machinery, equipment, vehicles and other fixed assets that have been provided by the contract partner and are used for the purpose of processing trade.

Article 28. A trading company, factory or enterprise shall deposit in its bank foreign currencies earned from processing trade and use specified portions

of them for the procurement of machinery, equipment, management supplies and bonus goods and to cover the expenses of trade negotiations, technological exchange, research and training.

Article 29. A trading company, factory or enterprise engaged in processing trade shall not:

1. Misappropriate foreign currencies earned or deposit them in a

foreign country,

2. Change or expand the category of business or indices without approval,

3. Sell processed or assembled products in the domestic market, or

4. Misuse the materials to be processed.

Article 30. Where a trading company, factory or enterprise is to use the materials to be processed for other purposes or sell the processed goods in the domestic market as may be required by a national measure, it shall notify the relevant customs office after reaching agreement with the contract partner in advance.

Article 31. Where a trading company, factory or enterprise is to change the category of business of processing trade, it shall submit a written application to the processing trade screening institution.

The screening institution shall review the application and notify the applicant of its decision within 10 days of receipt of the application.

Article 32. Any liability arising in the course of processing trade shall be satisfied at the expenses of the trading company, factory or enterprise.

Article 33. A trading company, factory or enterprise may receive technical assistance from a foreign enterprise for the processing and assembling of goods.

In this case, it may invite a foreign technician or send its technicians and workers to a foreign country for technical training after undergoing due procedures.

Article 34. A trading company, factory or enterprise may station a quality inspector of the foreign enterprise and bring in or out processing equipment provided by the foreign enterprise for the purpose of replacement or repair.

Article 35. The period of operation of a processing trade business shall be the same as the period of the underlying processing trade contract.

Where the period of a processing trade contract expires or an approval for processing trade is cancelled for other reasons, the enterprise shall request the relevant customs to cancel its registration within 5 days of the cancellation.

Chapter 5. Guidance and Control over Processing Trade

Article 36. Intensification of guidance and control over processing trade is an important guarantee for the proper implementation of the processing trade policy of the State.

The State shall strengthen its guidance and control over processing trade in step with its development.

Article 37. The Cabinet shall undertake a unified guidance over processing trade on behalf of the State. The Cabinet shall control and guide the work of processing trade through the central trade guidance organ and the management institution of a special economic zone.

Article 38. Bonus and other preferential treatment shall be granted to trading companies, factories and enterprises that have brought great benefits to the State through processing trade.

Article 39. The central customs guidance organ shall intensify customs control as processing trade is carried out in various forms and manners.

In close cooperation with the central trade guidance organ or a special economic Zone Administration, the customs shall ensure that no materials brought in for processing trade be misappropriated and that no processed goods be sold in the domestic market.

Article 40. Where a trading company, factory or enterprise has used materials to be processed for other purposes, or sold processed goods in the local market, or misappropriated foreign currencies earned or deposited them in a foreign country, or changed or expanded the category of business of processing trade, thereby hindering the work of processing trade, such measure shall be taken as the suspension of operation, cancellation of the approval for processing trade, confiscation of the materials in question or imposition of a fine.

Article 41. Where a grave consequence has been ensued as a result of violation of this law, the trading company, factory, enterprise, senior officials in the supervision and control institutions and individual citizens concerned shall be subject to administrative or criminal punishment depending on its gravity.

Article 42. Any disagreement arising in connection with processing trade shall be settled through consultation. Where it cannot be settled through consultation, it shall be brought before an arbitration body or a court of the DPRK for settlement.

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

*Adopted by Decree No. 1504 of the Presidium of the Supreme
People's Assembly on April 19, 2000*

Chapter 1. Fundamentals

Article 1. Bankruptcy deals with distributing the assets of an insolvent enterprise to its creditors and dissolving the enterprise under the supervision of a court. The Law of the Democratic People's Republic of Korea on Bankruptcy of Foreign-invested Enterprises shall contribute to correct settlement of debts and claims of foreign-invested enterprises by establishing a strict system and order in the work related to their bankruptcy.

Article 2. This law shall apply to foreign-invested enterprises that are registered as a corporate body of the DPRK and carry out business activities in the territory of the DPRK.

Article 3. An enterprise may be declared bankrupt when it fails to repay its debts within the set period, or the debts of the business exceed its assets, or the enterprise cannot be maintained any longer due to a grave loss, or the enterprise cannot be dissolved through normal procedures.

Bankruptcy of an enterprise shall be declared by a judgment of a court.

Article 4. An enterprise may not be declared bankrupt when it can receive financial assistance from an organ, enterprise or association of the DPRK or when there is assurance that the overdue debts can be settled within 6 months from the time of application for bankruptcy.

Article 5. Where the parties agree to reconcile with each other after an application is made for bankruptcy, the bankruptcy procedures under way may be suspended.

Article 6. Cases of enterprise bankruptcy shall be handled and settled by the provincial (or municipal) court having jurisdiction over the seat of the enterprise concerned.

Cases of enterprise bankruptcy in the Rason economic and trade zone shall be handled and settled by the Rason City Court.

Article 7. Provisions not covered by this law shall be pursuant to the Civil Proceedings Act.

Chapter 2. Application for and Declaration of Bankruptcy

Article 8. An application for bankruptcy shall be submitted by an enterprise that has become insolvent and its creditor.

An application for bankruptcy may also be made by the liquidation committee that is in charge of handling the dissolution of an enterprise.

An application for bankruptcy shall be submitted in writing to the relevant court.

Article 9. A creditor who is unable to receive the repayment of his claim within the period set in the contract may apply for declaration of bankruptcy of the enterprise concerned with a view to collecting his claim. In this case, he shall obtain an approval from more than one creditor where the enterprise has more than three creditors.

The application for bankruptcy shall state the title (or name) and address of the creditor, the name and address of the legal representative and his agent, the description, amount and period of the claim, the name and address of the enterprise to be declared bankrupt and be accompanied by documents explaining the reason for non-repayment of the claim and certifying that approval has been obtained for the bankruptcy application.

Article 10. An enterprise that has become insolvent may apply for its bankruptcy according to a decision of its board of directors or joint consultative board in order to be exempted from its obligations.

The application for bankruptcy shall state the name and address of the enterprise, a description of the loss of the enterprise and the reasons for its inability to repay its debts, and be accompanied by such document as a list of debts and assets.

Article 11. The liquidation committee in charge of handling the dissolution of an enterprise may apply for its bankruptcy where it is deemed appropriate to declare the enterprise bankrupt in the course of handling its dissolution.

The application for bankruptcy shall state the name and address of the enterprise, information on its assets and debts and the fact that the enterprise cannot be dissolved through normal procedures.

Article 12. An application for bankruptcy may be cancelled before the enterprise is declared bankrupt.

A person wishing to have his application cancelled shall submit an application for cancellation of bankruptcy to the relevant court.

Article 13. A court shall decide whether to accept or reject an application for bankruptcy within 30 days of receipt of the application. In this case, it may undertake such investigation as it deems necessary.

Article 14. Where a court believes that an application for bankruptcy is reasonable, it shall declare the enterprise bankrupt by making a judgement to that effect and send copies of the written judgement to the applicant and the enterprise concerned.

The written judgement shall state the name of the enterprise declared bankrupt, the name of the legal representative, the reason for bankruptcy, the date of bankruptcy and the like.

Article 15. An enterprise declared bankrupt shall suspend its bookkeeping, normal property transactions and management activities from the day of receipt of a copy of the written judgement.

Article 16. An enterprise notified of the declaration of its bankruptcy shall, within 2 days of the notice, inform the organ that has approved its establishment of the fact that it has been declared bankrupt and make necessary registration.

Article 17. The legal representative or his agent of the bankrupt enterprise shall not leave the seat of the enterprise and his domicile without permission from the court until the bankruptcy procedures have been completed and shall give explanations to questions related to the bankruptcy or cooperate in the bankruptcy procedures.

Article 18. Where a bankrupt enterprise has concealed, distributed, donated or transferred at a low price its assets during the 6 months preceding the application for bankruptcy or after the submission of the application or where it has waived its claims without legal ground during the 30 days preceding the application for bankruptcy or after the submission of the application or where it has afflicted losses upon its creditors in anticipation of its bankruptcy, such acts shall be null and void.

Article 19. The court shall organize a liquidation committee composed of 2 or 3 members within 5 days of the declaration of bankruptcy.

The liquidation committee may compromise officials from the organ that has approved the establishment of the enterprise, the financial and banking institution and other officials.

The chairman of the liquidation committee shall be appointed by the court.

Article 20. The liquidation committee shall carry out the following activities immediately after its organization.

1. It shall decide the matters necessary to begin bankruptcy procedure, such as the period of up to 60 days for the declaration of claims, the period for the investigation and determination of claims, the date of convening the first meeting of creditors within 20 days of the declaration of bankruptcy, the deadline for the repayment of debts due to the bankrupt enterprise and the deadline for the persons holding assets of the bankrupt enterprise to declare and return them,

2. It shall send a notice of bankruptcy to the creditors, debtors and holders of assets of the bankrupt enterprise,

3. It shall take over the official seal, the books of account, the lists of assets and creditors and other documents of the bankrupt enterprise,

4. It shall have the assets of the enterprise valued in the presence of the legal representative of the enterprise,

5. It shall settle the outstanding accounts in its ledgers and other books, prepare the balance sheet and the list of assets and submit them to the court,

6. Where necessary, it shall seal assets of the enterprise and prepare corresponding record,

7. It shall settle business transactions of the enterprise, and

8. It shall cancel or suspend the performance of contracts that has not

been fully performed by the time the enterprise was declared bankrupt.

Article 21. The liquidation committee shall convene the first meeting of creditors on the fixed date.

The first meeting of creditors shall nominate the head of the creditors' meeting and hear a report by the liquidation committee on the circumstances that caused the bankruptcy and on the current conditions of the assets and debts of the enterprise.

Article 22. Any decision of the creditors' meeting shall be valid only if it is approved by a majority of the creditors attending the meeting and the claims held by the approving creditors represent more than half of the total amount of the claims against the bankrupt enterprise.

Decisions of the creditors' meeting shall be equally binding on all creditors.

Chapter 3. Declaration, Investigation and Determination of Claims

Article 23. A creditor to the bankrupt enterprise shall declare his claims in writing to the liquidation committee within the period of claim declaration.

The claim declarations shall state the title (or name) and address of the creditor, description and amount of the claim, period of claim, the ground that gave rise to the claim, and where he holds other claims, the amount of other claims shall be stated accompanied by a related document of proof.

Article 24. The liquidation committee shall register the claims as they are declared. Claims shall be registered according to a form shown in the document of claim declaration.

Article 25. Any claim that has not been declared during the period of claim declaration shall be null and void.

Where a creditor notified by the liquidation committee of the bankruptcy fails to make a response, the committee shall notify him again.

Article 26. The liquidation committee shall investigate the claims on the basis of the contents of the declaration within the period of claim investigation.

Investigation shall be undertaken by making a request to the relevant organ or by direct checking.

Article 27. Where a complaint is raised with respect to a claim, the liquidation committee shall notify the relevant creditor of the complaint.

The creditor may institute a civil lawsuit against the complainant before a court handling the bankruptcy case.

The court shall examine the case and notify the liquidation committee of the result.

Article 28. The liquidation committee shall be responsible for the final determination of claims for which there is discrepancy between the declarations and finding of the investigation and claims for which a complaint

has been raised but no civil lawsuit has been instituted.

Article 29. After completion of the investigation and determination of the claims, the liquidation committee shall prepare a list of claims as follows:

1. Claims shall be classified on a priority basis and recorded in the order of their amount,

2. Claims other than corporate debts shall be recorded after classifying them as interests, damages, penalties, fines, commission fees, legal expenses and the like,

3. Corporate debts that have not yet become due shall be recorded by calculating the amounts that are payable for the period up to the time of the declaration of bankruptcy, and

4. For each claim, the amount and any matter raised during the period of investigation and determination of the claim shall be recorded.

Article 30. The liquidation committee shall submit the list of claims to the court for ratification after obtaining an approval for it from the creditors' meeting.

The list of claims so ratified shall be equally binding on all creditors.

Article 31. Claim declarations and list of claims shall be kept by the court.

The court may allow parties related to the bankrupt enterprise to read relevant documents upon their request.

Chapter 4. Distribution of Assets of a Bankrupt Enterprise

Article 32. Assets of a bankrupt enterprise shall be distributed to its creditors.

Assets of a bankrupt enterprise shall include monetary property, property in kind, intellectual property rights and the like of an enterprise declared bankrupt.

Assets that are acquired in the course of bankruptcy procedures shall also be included in the assets of the bankrupt enterprise.

Article 33. The liquidation committee shall be responsible for the securing of assets of the bankrupt enterprise to be distributed.

The committee shall call for outstanding contributions to be made and collect the repayments of the corporate debts due to the bankrupt enterprise.

In this case, the amount of a corporate debt to be collected and has not become due shall be calculated as the amount that is payable for the period up to the date of the declaration of bankruptcy.

Article 34. Where a debtor to a bankrupt enterprise holds a claim against the same enterprise, the liquidation committee may allow the debt to be offset against the claim. The offset shall be based on the then exchange rate published by the Foreign Trade Bank.

Article 35. The liquidation committee may dispose of products, machinery and equipment, intellectual property rights or other assets for the

purpose of distribution.

Article 36. Assets of a bankrupt enterprise shall be distributed in the following order:

1. State commission fee and the expenses incurred in the bankruptcy procedures,
2. Salary, wage and insurance premium,
3. State levies including taxes,
4. Penalties arising due to cancellation of contracts in the course of bankruptcy procedures,
5. Secured corporate debts,
6. Unsecured corporate debts, and
7. Claims other than corporate debts.

Article 37. The liquidation committee shall notify the head of the creditors' meeting of the payment of the State commission fee and the expenses of the bankruptcy procedures. Any complaint raised as to the notice of the liquidation committee shall be settled as decided by the court.

Article 38. Any unsecured corporate debt that falls into the category of a priority debt shall qualify for 'distribution before other ordinary unsecured corporate debts.

Article 39. The liquidation committee shall propose an assets distribution schedule on the basis of the list of claims and the order of distribution. The assets distribution schedule shall state the total amount that should be distributed, the amount that will be actually distributed, the titles (or names) and addresses of the creditors qualified for distribution, the amount of distribution for each creditor and the like.

Article 40. The liquidation committee shall add to the amounts of distribution of the secured corporate debts in the assets distribution schedule interests that are payable for the period from the date of declaration of bankruptcy to the date of distribution. Where, in the course of determining the amounts of distribution in the order specified in Article 36 of this law, it is found that the remaining assets are not sufficient for any further distribution, the amounts of distribution for the remaining claims with lower priorities shall be determined at a uniform rate.

Article 41. The liquidation committee shall present the assets distribution schedule before the creditors' meeting. Where the distribution schedule is approved by the creditors' meeting, it shall be ratified by the court, and where it is rejected by the meeting, it shall follow a decision of the court. The assets distribution schedule may be prepared again as may be required by a decision of the court.

Article 42. The liquidation committee shall distribute the assets of the bankrupt enterprise on the basis of the assets distribution schedule ratified by the court. The liquidation committee shall prepare an enterprise bankruptcy report and submit it to the court within 10 days of the completion of distribution of the assets.

Article 43. The court shall examine an enterprise bankruptcy report of the liquidation committee and terminate bankruptcy by a decision to that effect. In this case, it shall notify the liquidation committee of the termination so that the committee informs the parties to the bankruptcy of termination of the case. No appeal shall be made as to the decision of the court to terminate the bankruptcy case.

Article 44. Any claim that has not been settled due to a shortage in the assets of the bankrupt enterprise shall be null and void. Any asset that is identified after termination of the bankruptcy case shall be dealt with by the court through a bank.

Chapter 5. Reconciliation

Article 45. Reconciliation is a judiciary process of suspending enterprise bankruptcy procedures under way following an application by the enterprise declared bankrupt and its approval by the creditors. An enterprise declared bankrupt may apply for reconciliation after discussing the matter at the board of directors or joint consultative board.

Article 46. An enterprise declared bankrupt wishing to apply for reconciliation shall, within the period of investigation and determination of claims, submit to the liquidation committee a written application for reconciliation stating the reason for the application, method of repayment of the debts, securities and the like. Conditions for reconciliation shall be fair to all creditors.

Article 47. The liquidation committee shall, within 5 days after the application is submitted, notify the court thereof and ensure that it is discussed and decided by the creditors' meeting. Session of the creditors' meeting held for the examination of reconciliation shall be attended by creditors, applicant for reconciliation and members of the liquidation committee. Upon request of the creditors, the meeting may also be attended by a person who will repay the debts of the bankrupt enterprise on behalf of the enterprise.

Article 48. During the creditors' meeting the applicant for reconciliation shall give explanations as to the reason for the application and the conditions of reconciliation and give answers to the questions asked by the creditors. In this case, the conditions of reconciliation may be changed to the extent that they do not encroach upon the interests of the creditors.

Article 49. An application for reconciliation shall be approved only if it is consented to by a majority of the creditors attending the creditors' meeting and the amount of the claims held by the consenting creditors represent not less than two thirds of the total amount of claims against the bankrupt enterprise.

Article 50. The court shall make a decision approving or rejecting reconciliation that has become approved by the creditors' meeting.

The decision of the court as to reconciliation shall be equally binding

on the creditors and the applicant for reconciliation

Article 51. Where the court makes a decision approving the decision of the creditors' meeting on the approval of reconciliation, it shall notify the applicant thereof within 5 days of making the same decision.

The enterprise notified of the decision of the court approving reconciliation shall perform in time its obligations stated in the conditions of reconciliation.

Where the enterprise defaults on its obligations, the creditor may apply for the court to cancel reconciliation.

Article 52. The court shall, within 10 days after the application is made for the cancellation of reconciliation, make a decision approving or rejecting the application for cancellation.

Where a decision is made approving the cancellation of reconciliation, the bankruptcy procedures under suspension shall be resumed.

Chapter 6. Penalties

Article 53. The liquidation committee, subject to the approval of the court, may impose compensation for damage or fine in the following cases:

1. The legal representative (or his agent) of the bankrupt enterprise has failed to attend the creditors' meeting, or to give explanation or answers to the questions raised by the creditors at the creditors' meeting, or given a misleading explanation or answer,

2. Bankrupt assets have been concealed, or debt documents have been fabricated, or false debts have been approved,

3. Book of account or vouchers have been fabricated, destroyed or their contents have been made illegible, or the book of account settled by the liquidation committee has been interpolated,

4. The legal representative (or his agent) of the bankrupt enterprise has moved from the seat of the enterprise or his domicile or conducted contact or correspondence with another person without approval of the court, thus causing hindrance to bankruptcy procedures,

5. A debtor of the enterprise or a holder of bankrupt assets has failed to repay debts or return the assets of the bankrupt enterprise within the date set by the court, thus causing hindrance to bankruptcy procedures, or

6. Bankruptcy procedures have been impeded or creditors have suffered a loss in other ways.

Article 54. The senior officials of the organs, enterprises and associations or individual citizens; who have violated this law, bringing grave consequences to bankruptcy procedures, shall be liable to administrative or criminal punishment to the degree of violation.

THE LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON THE RASON ECONOMIC AND TRADE ZONE

Adopted by Resolution No. 28 of the Standing Committee of the Supreme People's Assembly on January 31, 1993, amended by Decree No. 484 of the Presidium of the Supreme People's Assembly on February 26, 1999, and amended by Decree No. 3400 of the Presidium of the Supreme People's Assembly on November 7, 2002

Chapter 1. Fundamentals

Article 1. The purpose of this law is to provide provisions for efficient administration and operation of the Rason economic and trade zone in the Democratic People's Republic of Korea, and for the further expansion and promotion of economic cooperation and exchange with foreign countries.

Article 2. The Rason economic and trade zone is a certain part of the DPRK designated as a preferential area for transit transport and trade, processing of export goods, financing and services.

Economic and trade activities in the Rason economic and trade zone shall be conducted in accordance with the system and order specially established by the State.

Article 3. The Cabinet shall direct in a unified way trade, foreign investment and development and administration activities in the Rason economic and trade zone.

Article 4. The State shall protect by law the capital invested and the incomes earned, as well as the vested rights of foreign investors in the Rason economic and trade zone.

Article 5. A foreign investor shall have free choice of forms of business management and operation in the Rason economic and trade zone.

Article 6. Economic and trade activities in the Rason economic and trade zone shall be governed by this Law and the other laws and regulations of the DPRK applying to the Zone.

Article 7. A foreign investor may conduct economic and trade activities in the form of contractual or equity joint venture or wholly foreign-owned enterprise in the Rason economic and trade zone.

Chapter 2. Duties and Powers of Management Organs

Article 8. The administrative and management organs for the Rason economic and trade zone shall include the central trade guidance organ, relevant central organs and the Rason City People's Committee.

The central trade guidance organ and relevant central organs are organs guiding trade, foreign investment and development, administration and management of the Zone in accordance with their duties and powers, and the

Rason City People's Committee is the local executive organ for implementing all matters related to the development of the Zone.

Article 9. The duties and powers of the central trade guidance organ in connection with the Rason economic and trade zone shall be:

1. To adopt State measures in connection with trade and foreign investment,
2. To direct on a regular basis economic and trade affairs in contact with relevant central organs, and
3. To receive, screen and settle the applications for foreign investment.

Article 10. The relevant central organs may carry out, in accordance with their own duties and powers, such activities as planning for development of the Rason economic and trade zone, preparation and execution of budget, financial and banking services, land lease, and urban development, issuing of licences of building lots and so forth.

Article 11. The Rason City People's Committee may have an external economic department that shall be responsible for promoting trade, foreign investment and the development of the Zone, and for organizing and implementing their administration and management in a rational manner.

Article 12. The duties and powers of the Rason City People's Committee related to trade, foreign investment and Zone development shall be:

1. To prepare, advertise and implement the plans for trade and Zone development,
2. To receive on the spot an application for foreign investment and present it to the central trade guidance organ, for screening,
3. To register enterprises and issue business licences,
4. To assist foreign-invested businesses in employing workers,
5. To examine transfer of the right to use land or buildings and present it to the relevant central organ for screening,
6. To render direct or indirect services for the construction or reconstruction of buildings, structures and work places, and
7. To conduct other activities for the improvement of management and operation of the Zone.

Article 13. The central trade guidance organ shall reach a decision on the approval or refusal of the establishment of an enterprise, within 50 days of receiving an application for investment in contractual or equity joint ventures, and within 80 days of receiving an application for investment in wholly foreign-owned enterprises, and inform the relevant organization of the results.

Investments may be prohibited or restricted for projects that may endanger the national security or do a harm to the health of inhabitants or the growth of animals and plants, projects that go beyond the environmental standards set by the State, projects that are obsolete in economic and technical terms or projects lacking in economic feasibility.

Article 14. The central trade guidance organ and the Rason City People's Committee may cancel their approval for the establishment or the

business licence, or suspend the operations, of a foreign-invested business in the following cases:

1. When there is a failure to comply with the conditions for investment, or
2. When there is a serious breach of a law of the DPRK.

Article 15. The Rason City People's Committee may establish a technical training fund and operate a training centre for the purpose of improving technical skills of the workers to be employed in foreign-invested businesses.

Article 16. The Rason City People's Committee may form and operate a consultative committee, which shall be composed of the representatives of the People's Committee, the relevant organs and enterprises and of the foreign investors, and which shall consult about and assist in the trade and the development, administration and operation of the Zone.

Chapter 3. Provision of Conditions for Economic Activities

Article 17. Goods may be brought into the Rason economic and trade zone and may be stored, processed, assembled, disassembled, sorted, packed, or repaired in the Zone or may be taken out of the Zone to a foreign country.

Any goods that endanger the security and social and moral life of the country, the health of people and the growth of animals and plants shall not be allowed to be brought into the Zone.

Article 18. A foreign investor may establish and operate an enterprise or undertake transit transport in the Rason economic and trade zone.

Organs, enterprises and entities of the DPRK may also invest, for the purpose of economic and trade activities, in the Zone either solely or in the form of equity or contractual joint venture enterprises with the approval of the Cabinet.

Article 19. An equity or contractual joint venture enterprise and a domestic organ, enterprise or entity of the DPRK may not open a branch, agency or representative office in the Rason economic and trade zone without the approval of the Cabinet.

Article 20. A foreign-invested business or a foreign individual may acquire on lease land it needs in the Rason economic and trade zone, and the period of the lease may be extended with the consent of the lessor.

Article 21. A foreign-invested business may employ domestic labour force or dismiss them in accordance with a contract concluded with the labour exchange in the Rason economic and trade zone.

Where necessary, some management personnel, technicians and skilled workers for special jobs may be employed from foreign countries by agreement with the Rason City People's Committee.

Article 22. Prices for goods manufactured by a foreign-invested business in the Rason economic and trade zone shall be determined by

agreement between buyer and seller.

Prices of important raw and other materials, and essential mass consumption goods may be determined by the Rason City People's Committee.

Article 23. The trade ports in the Rason economic and trade zone are open to any cargo ships and crewmen for free movement in and out according to the entry! exit order for the ports, regardless of their nationality.

Article 24. A foreign-invested business in the Rason economic and trade zone may consign the processing of raw and other materials or parts to an enterprise or entity of the DPRK outside the Zone.

When the value of processing performed outside the Zone is not greater than 40 per cent of the total value of production of the enterprise concerned, such processing on consignment shall be treated in the same manner as production activities conducted within the Zone.

Chapter 4. Customs Duties

Article 25. The State shall apply a system of preferential customs duties in the Rason economic and trade zone.

Article 26. No customs duties shall be levied on the following goods in the Rason economic and trade zone:

1. Goods brought into the Zone for the purpose of processing for export,
2. Materials needed for production and operation of enterprises, and export products,
3. Certain quantities of office supplies and personal articles for the needs of foreign investors,
4. Materials needed for the construction of the Zone, and
5. Trade cargoes of foreign countries passing through the Zone.

Article 27. Article 26 of this Law shall not be applicable in the following cases:

1. When goods are imported from foreign countries for sale in the Rason economic and trade zone, and
2. When goods produced in the Zone or imported into the Zone are sent to other parts of the country for sale.

Article 28. When a foreign-invested business sells its products in the Zone instead of exporting them, customs duties on the imported raw materials and parts used in the production of goods shall be paid.

Article 29. A foreign-invested business in the Rason economic and trade zone shall keep documents concerning the import and export of goods such as the records of customs inspection and invoices for goods for a period of 5 years.

Chapter 5. Currency and Finance

Article 30. The currency in circulation in the Rason economic and

trade zone shall be Korean *won*, and payment for all transactions may be made either in Korean *won* or in a convertible foreign currency.

The rate of exchange of foreign currencies against the Korean *won* shall be the rate published by the foreign exchange control organ.

Article 31. A foreign-invested business may keep an account at a bank of the DPRK or a foreign bank, upon agreement with the foreign exchange control organ.

Article 32. A foreign-invested business or foreign individual may secure loans to meet financial needs for business operation from a DPRK or foreign financial institution.

Korean *won* secured either by loan or by purchasing shall be deposited in a bank of the DPRK.

Article 33. Banks in the Rason economic and trade zone may, with the consent of the foreign exchange control organ, engage in offshore banking transactions.

Article 34. A foreign-invested business or a foreign individual may transact securities denominated in foreign currency at a fixed place established in the Rason economic and trade zone.

Chapter 6. Guarantees and Privileges

Article 35. A foreign investor may remit abroad profits, interests, dividends, rentals, service charges, proceeds from the sale of assets and other incomes earned from business activities in the Rason economic and trade zone, and may take out of the Zone all the assets that have been brought into it when the duration of operation expires.

Article 36. The enterprise income tax rate in the Rason economic and trade zone shall be 14 per cent of net profit.

Article 37. A foreign-invested business in the production sector may be entitled to full exemption from enterprise income tax for 3 years from the first profit-making year and reduction of up to 50 per cent for the following 2 years, provided that it is to be operated for a duration of more than 10 years.

A foreign-invested business engaged in infrastructure development projects with a total investment of more than 4,500,000,000 *won* may be given full exemption from enterprise income tax for 4 years from the first profit-making year and reduction of up to 50 per cent for the following 3 years.

Article 38. Foreign investors investing in the priority sectors may be entitled to a lease of land in favorable locations at lower rates of rent.

Article 39. Foreign investors investing in the priority sectors may be given priority in granting of loans for business activities from the financial institutions of the DPRK.

Article 40. If a foreign investor reinvests his profits for the duration of 5 years or more, 50 per cent of the income tax paid on the reinvested amount may be refunded. In case of reinvesting in an infrastructure development

project, all of the income tax paid on the reinvested amount may be refunded.

Article 41. A foreigner may enter the Rason economic and trade zone directly without visa and stay or reside in the Zone according to the relevant procedures.

Chapter 7. Settlement of Disputes

Article 42. Any dispute arising in connection with economic and trade activities in the Rason economic and trade zone shall be settled through consultation between the parties concerned.

In case of a failure in consultation, it shall be settled by arbitration or legal procedures provided by the DPRK, or may be taken to an arbitration agency in a third country for settlement.

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

Adopted by Resolution No. 19 of the Standing Committee of the Supreme People's Assembly on October 5, 1992, and amended by Decree No. 484 of the Presidium of the Supreme People's Assembly on February 26, 1999

Chapter 1. Fundamentals

Article 1. The Law of the Democratic People's Republic of Korea on wholly foreign-owned enterprises is intended to ensure establishment and operation of foreign enterprises within the Rason economic and trade zone, and to expand and promote economic cooperation and exchange with other countries over the world.

Article 2. A wholly foreign-owned enterprise is an enterprise that a foreign investor set up an enterprise by investing full amount of capital required for its operation and runs independently.

Article 3. Foreign investors may establish and run enterprises in the electronics industry, automation industry, machine-building industry, food-processing industry, clothing industry, daily-necessities industry, transport, service industry and other industries.

No enterprise that might threaten the 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. This law shall be applied in the Rason economic and trade zone.

Chapter 2. Establishment of Wholly Foreign-Owned Enterprises

Article 7. A foreign investor who wishes to establish an enterprise in the DPRK shall submit an application for the establishment of an enterprise to the central trade guidance organ through consultation with the relevant organs.

The application shall be accompanied by all documents required for its examination and approval, including the memorandum of the enterprise, a feasibility study report and a document certifying the creditability of the investor's capital.

Article 8. The central trade guidance organ shall make a decision on

the approval or refusal of the establishment of an enterprise, within 80 days from the day of receipt of the application.

Article 9. A foreign-investor shall, within 30 days of the approval, register the enterprise at the Rason City People's Committee.

The date of registration shall mark the date of the establishment of the enterprise.

A wholly foreign-owned enterprise shall, within 20 days of its registration, complete its tax registration at the financial organ in the area of its location.

Article 10. With the approval of the Cabinet, a wholly foreign-owned enterprise may establish branches, representative offices, agencies and subsidiaries in the DPRK or other countries and conduct joint operations with companies in other countries.

Article 11. A foreign investor may entrust any construction required for 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 extended, with the approval of the organs concerned.

Article 13. Where a foreign investor fails to make an investment within the fixed period for no good reason, the central trade guidance organ may abrogate the approval of the application.

Chapter 3. Business Activities of Wholly Foreign-Owned Enterprises

Article 14. A wholly foreign-owned enterprise shall conduct business activities in accordance with the memorandum of enterprise endorsed.

If the wholly foreign-owned enterprise wishes to increase or change categories of business, it shall obtain an approval from the organ that has approved its establishment.

Article 15. A wholly foreign-owned enterprise shall submit its production import and export plans to the Rason City People's Committee with which it has been registered.

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

Article 17. A wholly foreign-owned enterprise shall, in principle, purchase raw and other materials and equipment from the DPRK and sell its products to the DPRK through the foreign trade agencies of the DPRK.

Article 18. A wholly foreign-owned enterprise shall open an account at the Foreign Trade Bank of the DPRK.

A wholly foreign-owned 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 wholly foreign-owned enterprise shall keep its financial and accounting documents in its seat and conduct its management calculation in accordance with the regulations of the DPRK on bookkeeping and accounting in wholly foreign-owned enterprises.

Article 20. A wholly foreign-owned enterprise shall employ the labour of the DPRK.

Some management personnel, technicians and skilled workers for special jobs who have been fixed in the contract may be employed from foreign countries. In such a case, a foreign investor shall reach an agreement with the central trade guidance organ.

Article 21. Employees of a wholly foreign-owned 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 laws and regulations of the DPRK on labour, conclude a contract concerning 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 22. A wholly foreign-owned 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 wholly foreign-owned enterprise require insurance, it shall be insured in the DPRK.

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

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

Article 26. A wholly foreign-owned enterprise may increase the registered capital.

Should a wholly foreign-owned enterprise wish to transfer its registered capital to another enterprise, it shall obtain approval of the organ that has approved its establishment.

A wholly foreign-owned enterprise shall not reduce its registered capital during its existence.

Article 27. The central trade guidance organ and financial organ may inspect and supervise investment and tax payment by a wholly foreign-owned enterprise.

Chapter 4. Dissolution of a Wholly Foreign-Owned Enterprise and Settlement of Disputes

Article 28. A wholly foreign-owned 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 extend its duration, approval of the organ that has approved its establishment shall be obtained.

Article 29. Should a foreign investor or a wholly foreign-owned enterprise violates this law, the central trade guidance organ and other organs concerned, in accordance with the extent of the violation, shall suspend its business or dissolve it or impose a fine upon it.

Article 30. Should a wholly foreign-owned enterprise be dissolved or go bankrupt, the foreign investor shall file its dissolution or bankruptcy with the Rason City People's Committee with which the enterprise was registered.

The assets of a wholly foreign-owned enterprise shall not be disposed of at will until the liquidation procedures have been completed.

Article 31. All disputes concerning a wholly foreign-owned enterprise shall be settled through consultation. In case of failure to settle them through consultation, they shall be settled by arbitration or legal procedures provided by the DPRK.

REGULATIONS FOR THE IMPLEMENTATION OF THE LAW ON WHOLLY FOREIGN-OWNED ENTERPRISES

Adopted by Decision No. 60 of the Cabinet on October 27, 2000

Chapter 1. General

Article 1. These regulations are intended to ensure proper implementation of the Law of the DPRK on Wholly Foreign-owned Enterprises.

Article 2. A foreign investor (hereinafter called the investor) is allowed to set up and run a wholly foreign-owned enterprise inside the Rason economic and trade zone (hereinafter called the Zone).

Korean nationals residing outside the territory of the DPRK shall also be allowed to set up a wholly foreign-owned enterprise inside the Zone according to these regulations.

Article 3. A wholly foreign-owned enterprise is a form of business whereby the investor establishes an enterprise with his own investment necessary for its establishment and has the right to independent management.

Article 4. The lawful activities of a wholly foreign-owned enterprise shall be protected by law of the DPRK.

The wholly foreign-owned enterprise shall respect and strictly observe the laws and regulations of the DPRK.

Article 5. A wholly foreign-owned enterprise shall, in principle, be insured by an insurance agency of the DPRK.

Article 6. A wholly foreign-owned enterprise shall make in Korean financial documents and other documents to be submitted to institutions, enterprises and organizations (hereinafter called the institutions and enterprises) of the DPRK.

If a document is made in a foreign language, Korean translation shall be attached to it.

Article 7. The central trade guidance organ shall, through Rason City People's Committee (hereinafter called Zone Administration), give unified control and guidance over wholly foreign-owned enterprises.

Article 8. Establishment and operation of a wholly foreign-owned enterprise shall be subject to these regulations.

Matters not covered by these regulations shall be subject to other laws and regulations of the DPRK.

Chapter 2. Establishment of a Wholly Foreign-Owned Enterprise

Article 9. Sectors where wholly foreign-owned enterprises can be set up are as follows:

1. Electronics, automation, machine-building and power industries,
2. Food processing, garment and daily-necessities manufacturing industries,
3. Building-materials, pharmaceutical and chemical industries
4. Construction, transportation and service sectors, and
5. Other necessary sectors.

Article 10. A wholly foreign-owned enterprise shall not be allowed to be set up unless it satisfies at least any one of the following conditions:

1. It shall be equipped with hi-tech and modern technologies and latest production facilities,
2. It shall be able to produce internationally competitive goods, or
3. It shall be able to raise the quality of its products up to international standards.

Article 11. The establishment of a wholly foreign-owned enterprise shall not be allowed in the following cases:

1. In case it endangers or hinders the security of the country,
2. In case it has an adverse effect on public health, landscape and resources of the country,
3. In case it uses equipment and production processes outdated economically and technologically,
4. In case products it makes have no or small demand locally and internationally, or
5. In case the type of business and mode of management of the enterprise do not conform with or may have a negative impact on the sound ideas and emotions of the people and the mode of life.

Article 12. The establishment of a wholly foreign-owned enterprise shall not be allowed in the following sectors:

1. Publishing, press and broadcasting,
2. Education, culture and public health,
3. Post and telecommunications, and
4. Other sectors where the establishment of a wholly foreign-owned enterprise is prohibited by the State.

Article 13. The investor may go through formalities for the establishment of a wholly foreign-owned enterprise either personally or through his agent.

Article 14. The investor wishing to set up a wholly foreign-owned enterprise shall submit an application for its establishment to the Zone Administration to consult on the matters of relevant sectors such as plan, finance, science, technology, land and environmental protection and construction, and then submit it to the central trade guidance organ through the Zone Administration.

The application shall state name of the investor, enterprise and its general manager (citizenship, nationality, position), categories of business, range and amount of products, amount of total investment, registered capital,

bank with which to open an account, form and period of investment, major production and technical processes, targets and form of marketing of products, organizational structure, number of employees and other data in relation to employment, area of construction and desired location, water, power, and materials needed, annual production plans, period of operation, expected date of operation and other necessary information, and shall be accompanied by the memorandum of association, feasibility study report, documents proving the investor, list of equipment and materials to be contributed, industrial property rights and technical know-how to be supplied and their descriptions and certificates on financial position of the investor.

Article 15. The memorandum of association of a wholly foreign-owned enterprise shall include its name, address, purpose of establishment, scope of business, volume of production, total investment, registered capital, form and period of investment, organizational structure (duties and rights of chairman of the board of directors, president, chief accountant, and auditor), period of operation, procedures for dissolution, liquidation and amendment to the memorandum, and other necessary information.

Article 16. The feasibility study report of a wholly foreign-owned enterprise shall include its name, total investment, registered capital, data on investment plans and production plans, analysis on technological and economical advantages of major production processes and equipment, data on construction work, kinds and needs of major materials, data on marketing, employment and technical training plans, estimations of expected profitability for each phase and other necessary data.

Article 17. The list of equipment and materials to be contributed shall include their names, specifications, uses, units, amounts, unit prices, total prices, and manufacturer, countries from which they are imported and other necessary data.

Article 18. Introductory descriptions on an industrial property right or technical know-how to be contributed shall state its name, holder, practical utility, term of validity and the like and be accompanied by technical literature, designs, operation manual or other technical data as well as the basis of calculation of price, a copy of the certificate of industrial property right and so on.

Article 19. The central trade guidance organ shall do screening of a proposed wholly foreign-owned enterprise.

Article 20. The Zone Administration shall, within 10 days from receipt of an application for the establishment of a wholly foreign-owned enterprise, deliver the application accompanied by its opinion to the central trade guidance organ.

Article 21. The central trade guidance organ shall, within 80 days from receipt of the application for the establishment of a wholly foreign-owned enterprise, screen the application and give a notice of approval or rejection to the applicant through the Zone Administration.

Article 22. In case the establishment of a wholly foreign-owned enterprise is approved, it shall open a necessary account in a bank mentioned in the document of approval of establishment of an enterprise according to the relevant legal provisions, make its official seal and have it registered.

Article 23. A wholly foreign-owned enterprise, within 30 days from receipt of the notice of approval, register enterprise itself with, and have a certificate of business registration issued by, the Zone Administration.

The day of business registration shall be the foundation day of the wholly foreign-owned enterprise and, from that date, the enterprise shall be a corporate body of the DPRK.

Article 24. A wholly foreign-owned enterprise shall, within 20 days from its business registration, make tax registration with the Zone taxation organ.

Article 25. A wholly foreign-owned enterprise, with approval of the Cabinet, may open or set up its branches, agencies, representative offices or subsidiaries, and associate itself with companies of a foreign country.

Article 26. The investor may commission construction work, if necessary, to a construction company of the DPRK.

Chapter 3. Procedures and Method of Investment

Article 27. A wholly foreign-owned enterprise shall invest according to the letter of approval of the establishment of enterprise.

Article 28. The size of the registered capital shall be determined as follows:

1. Not less than 65 per cent of the amount of total investment if the amount of total investment is not greater than 450,000,000 *won*,
2. Not less than 45 per cent of the amount of total investment if the amount of total investment is greater than 450,000,000 *won* and less than 1,500,000,000 *won*,
3. Not less than 35 per cent of the amount of total investment if the amount of total investment is greater than 1,500,000,000 *won* and less than 4,500,000,000 *won*, or
4. Not less than 30 per cent of the amount of total investment if the amount of total investment is greater than 4,500,000,000 *won*.

Article 29. The registered capital shall be contributed within a specified period. In case it cannot be contributed within the specified period, an approval for extending contribution period shall be obtained through the central trade guidance organ.

Article 30. A wholly foreign-owned enterprise *may* increase its registered capital but not reduce it.

In case of increase in the registered capital, it shall be registered with the relevant organ.

Article 31. A wholly foreign-owned enterprise may be transferred to

another person.

In case of transfer of the enterprise, approval shall be obtained for it from the central trade guidance organ and, upon approval, registration shall be made of the change with the relevant organ.

Article 32. Investment may take the form of cash, property in kind, industrial property right, technical know-how and the like.

Article 33. The price of property in kind, industrial property rights or technical know-how shall be decided by the enterprise on the basis of the international market prices prevailing at the moment.

Article 34. Property in kind, industrial property right, technical know-how and the like which are to be contributed shall satisfy the following conditions:

1. It shall belong to the ownership or possession right of the investor,
2. It shall be able to produce highly competitive export goods, and
3. The estimated value of the industrial property right and technical know-how shall not exceed the amount equivalent to 20 per cent of the registered capital.

Article 35. Property in kind brought in as a contribution shall, upon request, be inspected by the foreign goods inspection body (by scientific institution, in case of technology).

The inspection body shall inspect property in kind or technology upon written request and issue a certificate of inspection.

A wholly foreign-owned enterprise or the investor shall provide conditions for the inspection of property in kind or technology.

Article 36. A wholly foreign-owned enterprise may reinvest whole or part of its profits earned legally from the operation of the enterprise.

Income tax that has been paid on the reinvested portion of the profits may be refunded in full in infrastructure construction projects or by half in non-infrastructure projects.

If the reinvested capital is withdrawn within 5 years from the time of reinvestment, the income tax that has been refunded shall be re-payable.

Article 37. Whenever a wholly foreign-owned enterprise invests the registered capital, it shall submit to the central trade guidance organ a document certifying the investment issued by the relevant certifying body.

This document shall be accompanied by the report verifying the investment.

Chapter 4. Business Licence and Management Activities

Article 38. A wholly foreign-owned enterprise shall have business licence in order to be able to undertake operation.

Business licence shall be issued by the Zone Administration.

Article 39. Business licence shall be obtained before the estimated date of commissioning specified in the letter of business approval.

In case it cannot obtain business licence before the estimated date of commissioning, it shall apply to the central trade guidance organ for an approval of postponement of commissioning.

Article 40. In order to obtain a business licence, an application for business licence shall be submitted to the Zone Administration.

The application shall state necessary information and be accompanied by a certificate of investment issued by the certifying body, documents issued by a relevant body guaranteeing the safety and environmental aspects of the production processes and facilities, and a sample of product.

Article 41. The Zone Administration shall, within 15 days from receipt of the application for business licence, examine it, and licence or reject the business.

In case it has licenced the business, it shall issue business licence and inform the central trade guidance organ of it.

Article 42. Business activities of a wholly foreign-owned enterprise shall be limited to such categories of business as are allowed by the letter of business approval.

In case the enterprise intends to change the category of its business, approval shall be obtained from the central trade guidance organ.

Change of its business category shall be allowed on the condition that the enterprise has finished the approved investment and received business licence.

Article 43. A wholly foreign-owned enterprise shall register its plans with the Zone Administration before it begins to implement them.

Article 44. A wholly foreign-owned enterprise may purchase materials needed for its operation either in the territory of the DPRK or bring them in from a foreign country, and export its products or sell them in the territory of the DPRK.

If the enterprise is to purchase materials produced by an institution or an enterprise outside the Zone or sell its products in the territory of the DPRK outside the Zone, the enterprise shall do so through a relevant trading agency of the DPRK (except transactions between foreign-invested enterprises).

In case the enterprise is to bring materials from or sell its products to a foreign country, an application for approval of import and export shall be submitted to the Zone Administration.

Article 45. Customs duty on import and export materials of a wholly foreign-owned enterprise shall be applied according to the relevant legal provisions of the DPRK.

Article 46. A wholly foreign-owned enterprise may commission a relevant trading agency of the DPRK to export its products.

Article 47. Prices of export and import goods (including fees for technical service) of a wholly foreign-owned enterprise shall be based on the international market prices prevailing at the moment.

Article 48. A wholly foreign-owned enterprise shall regularly keep

records relating to the storage and use of imported materials, and to the export of its products.

Chapter 5. Financial Management

Article 49. A wholly foreign-owned enterprise shall do its financial management according to the laws and regulations related to the financial management of foreign-invested enterprises.

Article 50. A wholly foreign-owned enterprise shall do its accounting in Korean *won*.

If accounting is to be done in foreign currency, the equivalent amounts of Korean *won* calculated with the exchange rate of that time set by the Foreign Trade Bank inside the Zone shall be recorded.

Article 51. A wholly foreign-owned enterprise shall do the transactions and management of foreign currencies according to the laws and regulations of the DPRK related to the management of foreign currencies.

A wholly foreign-owned enterprise shall open and use an account of Korean *won* and accounts of foreign currencies in the foreign exchange bank in the Zone.

If necessary, the enterprise may open its accounts with another bank of the DPRK or with a bank of a foreign country upon agreement with the foreign exchange control body.

Transactions and clearing in foreign currencies shall be done only through its account in the bank.

In case it opens an account with a bank of a foreign country, the enterprise shall submit quarterly to the central trade guidance organ and the foreign exchange control body the records of receipt and payment and the document certifying account of the bank through the Zone Administration.

Article 52. A financial year for a wholly foreign-owned enterprise shall be from January 1 to December 12 of each calendar year.

In the year of establishment, the financial year shall be from the date of establishment to December 31 of the same year, and in the year of termination, the financial year shall be from January 1 of the same year to the date of termination.

Article 53. A wholly foreign-owned enterprise shall pay tax subject to the laws and regulations of the DPRK on taxation on foreign-invested business.

Article 54. A wholly foreign-owned enterprise shall, after the payment of enterprise income tax, create the reserve fund, bonus fund and welfare fund and the like for its employees out of net profit.

The reserve fund shall be created by saving 5 per cent of the annual taxable income until the amount of the fund amounts to 25 per cent of the registered capital. The reserve fund shall be used only for increasing the registered capital and making up the loss of management. The size and limit of the other funds shall be determined by the enterprise by itself.

Article 55. A wholly foreign-owned enterprise shall review its management on a quarterly and yearly basis.

Yearly financial statements shall be submitted to the central trade guidance organ and the Zone Administration not later than February of next year, and quarterly financial statements within 15 days of the next quarter.

Quarterly and yearly financial statements shall include balance sheets, cost accounts, production and sales revenue accounts, profit and distribution accounts, profit and loss accounts, overheads expenses accounts, fixed assets depreciation accounts and the like.

Financial statements shall be attested by a public accountant's office.

Article 56. A wholly foreign-owned enterprise may remit abroad its profits and other incomes earned legally from the operation of the enterprise and the money remaining after the liquidation of the enterprise.

Article 57. A wholly foreign-owned enterprise may be given a loan needed for its operation from a bank of the DPRK or a financial institution of a foreign country.

Article 58. A wholly foreign-owned enterprise shall keep its financial accounting documents for 5 years (until the termination of the enterprise in case of financial statements and documents of fixed assets).

Chapter 6. Labour Administration

Article 59. Labour Administration of a wholly foreign-owned enterprise shall be done according to the labour-related laws and regulations of the DPRK for foreign-invested enterprises.

Article 60. A wholly foreign-owned enterprise shall employ nationals of the DPRK. Foreigners may be employed for management positions or as technicians or skilled workers for special jobs.

Article 61. In case of employment of nationals of the DPRK, a wholly foreign-owned enterprise shall enter into a contract for employment with the labour exchange agency of the Zone, and in case of employment of foreigners, the enterprise shall obtain an approval of the central trade guidance organ through the labour exchange agency.

Article 62. The enterprise shall not dismiss before the expiry of the contract the nationals of the DPRK, whom it has employed.

In case of dismissal before the expiry of the contract, the enterprise shall seek agreement with the trade union and labour exchange agency.

Article 63. A wholly foreign-owned enterprise shall conduct activities aimed at raising technical qualifications and skills of its employees.

Article 64. Salary standards of the employees of a wholly foreign-owned enterprise shall be subject to the labour-related laws and regulations of the DPRK on foreign-invested business.

Article 65. The employees of a wholly foreign-owned enterprise may form a trade union.

Article 66. Trade unions shall be allowed to engage in:

1. Education of employees in the spirit of commitment to labour discipline and economic tasks,
2. Dissemination of scientific knowledge and sponsoring of sports and cultural events,
3. Conclusion, and supervision of the implementation, of bargains with the wholly foreign-owned enterprise in respect of labour management, compensation and security,
4. Coordination of labour disputes arising between the employer and the employed, and
5. Representation in any discussions over the rights and interests of employees to give advice or recommendation.

Article 67. A wholly foreign-owned enterprise shall deal with matters concerning rights and interests of employees in consultation with a representative of the trade union.

Article 68. A wholly foreign-owned enterprise shall provide the trade union with conditions for its activities.

Article 69. A wholly foreign-owned enterprise shall provide the trade union with the working fund at the following rates every month:

1. Equivalent to 2 per cent of the sum total of the monthly salary of all employees, in case the employees number up to 500,
2. Equivalent to 1.5 per cent of the sum total of the monthly salary of all employees, in case the employees number from above 500 up to 1,000, and
3. Equivalent to 1 per cent of the sum total of the monthly salary of all employees, in case the employees number more than 1,000.

Chapter 7. Duration and Dissolution

Article 70. Duration of a wholly foreign-owned enterprise shall be specified in the letter of business approval.

It shall be calculated from the date when the enterprise is registered.

Article 71. In order to extend duration, an application shall be filed with the central trade guidance organ 6 months before the term expires, through the Zone Administration.

The Zone Administration shall examine the application and hand it over to the central trade guidance organ together with its comments.

The central trade guidance organ shall approve or disapprove the application within 30 days of receipt of the application.

Article 72. A wholly foreign-owned enterprise shall register the changed duration with the relevant organ within 20 days from the date of approval of the application.

Article 73. A wholly foreign-owned enterprise shall be dissolved in the following cases:

1. The term of operation expires,
2. The continued operation is deemed impossible due to force majeure like natural calamities,
3. An enterprise determines so due to impossible redemption of loss,
4. The court of law decides so, or
5. An enterprise severely violates the laws and regulations.

Article 74. In case of dissolution, an application for that purpose shall be submitted to the central guidance organ, through the Zone Administration.

The date on which the approval for dissolution is given shall be deemed the date of dissolution.

Article 75. A wholly foreign-owned enterprise shall make public the dissolution and notify the creditors and debtors of it within 10 days from the approval of dissolution.

Article 76. A wholly foreign-owned enterprise shall submit the list of liquidation committee members to the central trade guidance organ for approval within 15 days from the declaration of dissolution, and organize the liquidation committee.

The liquidation committee shall commence its work within one week from the date of organization.

Article 77. The liquidation committee shall include the following persons:

1. A representative of the wholly foreign-owned enterprise,
2. A representative of the creditor,
3. A representative of the financial organ,
4. The investor, and
5. The other necessary members.

Article 78. The liquidation committee shall carry out the following work:

1. To convene a meeting of creditors,
2. To take over and place under its custody the property of the enterprise and its official seal,
3. To determine claims and debts and prepare the balance sheet and the inventory,
4. To evaluate the assets of the enterprise,
5. To prepare the plan of liquidation,
6. To pay tax and clear all claims and debts,
7. To take stock of the remaining property, and
8. To handle other matters relating to liquidation.

Article 79. A wholly foreign-owned enterprise shall not be allowed to dispose of any of the property at its own will before the liquidation is over.

Claims to the liquidation property of the enterprise shall be done in the order of expenses relating to liquidation, tax, remuneration of the employees and its debt.

Article 80. Upon liquidation, the liquidation committee shall prepare a report for the central trade guidance organ (the relevant court in case of dissolution caused by the bankruptcy of an enterprise), surrender the certificate of registration and business licence to the Zone Administration, cancel the business and tax registration and close the account of the enterprise with the bank concerned.

Article 81. Dissolution caused by the bankruptcy of an enterprise shall be subject to the laws and regulations of the DPRK relating to the bankruptcy of a foreign-invested enterprise.

Chapter 8. Supervision and Settlement of Dispute

Article 82. The Zone Administration shall supervise and control business activities of a wholly foreign-owned enterprise, under the guidance of the central trade guidance organ.

It shall strengthen its supervision and control so that wholly foreign-owned enterprises conduct business activities without deviation.

Article 83. In case of violation of these regulations, administrative sanctions such as fine, suspension of operation and dissolution of enterprise shall be imposed, and in case of severe breach, criminal law shall be invoked.

Article 84. Any disagreement concerning a wholly foreign-owned enterprise shall be settled through consultation.

A case of dispute that cannot be solved through consultation shall be brought to, and settled by, the arbitration agency or court of the DPRK.

Article 85. If a wholly foreign-owned enterprise has a complaint in relation to business activities, it may file a petition.

The case shall be settled within 30 days from the date of its receipt.

REGULATIONS ON THE FINANCIAL MANAGEMENT OF FOREIGN-INVESTED ENTERPRISES

Adopted by Decision No. 91 of the Cabinet on December 4, 1999

Chapter 1. General

Article 1. These Regulations are formulated in order to ensure accurate operational accounting of foreign-invested enterprises and establish a system and order in their financial management.

Article 2. Financial management includes creation and efficient utilization of funds required for business operation as well as distribution of profits and repayment of investments.

Financial management of foreign-invested enterprises shall deal with assets invested and any increase in the assets occurring during reproduction.

Article 3. Financial bookkeeping of foreign-invested enterprises shall be done according to the laws and regulations governing the bookkeeping of foreign-invested enterprise.

Article 4. A foreign-invested enterprise shall keep an account in a bank engaged in foreign exchange business to undertake financial management.

Article 5. Financial management of a foreign-invested enterprise shall be undertaken by its financial manager. The first person in charge of the financial management of a foreign-invested enterprise shall be its chief executive officer and the second person shall be its chief financial officer.

Article 6. A foreign-invested enterprise shall conduct its financial management properly so as to improve its profitability.

Article 7. The central financial organ shall be responsible for a unified control and guidance over the financial management of foreign-invested enterprises.

Article 8. These Regulations shall apply to foreign-invested enterprises that are engaged in business activities either inside or outside the territory of the DPRK.

They may also apply to foreign enterprises doing business in the territory of the DPRK.

Financial management of foreign-invested enterprises based in the Rason economic and trade zone shall be governed by separate laws and regulations enacted for that purpose.

Chapter 2. Creation and Utilization of Capital

Article 9. Capital of a foreign-invested enterprise shall be composed of contributions made by the investors, funds created in the course of business operation and borrowings.

Article 10. Fixed and current assets required for the establishment and

operation of a foreign-invested enterprise shall be secured by means of its registered capital.

Registered capital may be increased but may not be decreased during the existence of the enterprise.

Article 11. A foreign-invested enterprise shall conduct its pre-incorporation financial management properly.

Pre-incorporation financial management includes financial aspects related to contributions made by the investors and preparations for the incorporation.

Article 12. Financial management with regard to contributions shall be conducted separately for different investors.

An investor shall make contributions in the form of fixed or current assets or cash pursuant to the provisions of the contract.

A document certifying contribution shall be verified by a certified public accountants' office.

Article 13. The price of physical asset, property right or technical knowhow shall be agreed upon by the parties to the contract on the basis of an international market price.

Article 14. Fixed assets shall include fixed assets contributed by the investors, fixed assets procured by the enterprise with its fund and fixed assets that have been inherited or donated.

Article 15. A fixed asset shall be registered with the central trade guidance organ within one month of its acquisition.

Article 16. Registration and calculation of fixed assets shall be done by the relevant financial division, and its physical operation and maintenance by the relevant operating division or the operator.

Article 17. The initial value of a fixed asset shall be calculated by adding to its acquisition price such costs as freights, loading and unloading charges, insurance premium, installation and storage costs.

Article 18. In case a fixed or current asset contributed does not confirm with the conditions of the contract and therefore cannot be utilized for production and management of the enterprise, it shall not be calculated as a contributed asset.

Article 19. Raw and intermediate materials needed for the production and management shall be purchased by means of liquid fund.

Article 20. A foreign-invested enterprise shall calculate depreciation cost of fixed assets every month, set it aside by including it in production cost or marketing cost and use the fund for renewal or maintenance of fixed assets.

Depreciation cost may be used as liquid fund.

Whenever depreciation cost has been used as liquid fund, the amount shall be made good by the next quarter.

Article 21. A foreign-invested enterprise (excluding wholly foreign-owned enterprise) may scrap, transfer or mortgage a registered fixed asset.

When a registered fixed asset is to be scrapped, transferred or

mortgaged, it shall be agreed upon with the central trade guidance organ.

Article 22. Capital of a foreign-invested enterprise may be used for preparation of incorporation or as liquid fund.

Article 23. The fund for preparation of incorporation shall be spent to cover administrative management expenses, building maintenance expenses and sample production expenses that are incurred until the foreign-invested enterprise is incorporated and obtains a business license.

Article 24. Proceeds from the sale of sample products and other revenues created during pre-incorporation period shall be used as the fund for preparation of incorporation.

Any revenue remaining after covering the expenses for the preparation of incorporation shall be set aside as retained profit and may be used later for profit distribution or for the increase of investment.

Article 25. Pre-incorporation expenditures (remaining after internal revenues have been deducted) shall be calculated as deferred expenses and, after incorporation of the enterprise, shall be made good by staggering it over a certain number of years and including it in production cost.

Article 26. A foreign-invested enterprise shall ensure that during pre-incorporation period, fixed and current assets, cash and sample products required for production and management are contributed pursuant to the conditions of the contract.

Article 27. Assets contributed in cash and in kind shall be used only to cover pre-incorporation expenses, labour cost, PR expense, taxes and usage fees or other expenses and costs related to production and management within the limit of the approved categories of business.

Article 28. Korean *won* contributed by a DPRK investor may be used to cover the costs of raw and intermediate materials, labour, PR expense, taxes, usage fees and so on in the territory of the DPRK.

Article 29. An investor may transfer or transmit all or part of his contribution to a third party in agreement with the other investor.

Article 30. Capital of a foreign-invested enterprise shall not be nationalized or seized and the legitimate rights and interests of the enterprise shall be under the legal protection of the State.

In case an investment protection agreement has been concluded between the DPRK government and a foreign government, capital of an enterprise may be protected under that agreement.

Chapter 3. Financial Planning

Article 31. A foreign-invested enterprise shall prepare its own financial plan and discuss and adopt it at the board of directors or joint consultative board.

Article 32. Financial plan of a foreign-invested enterprise shall be

prepared by sectors and on an yearly and quarterly basis according to the contents of business activity.

Items of a financial plan shall be decided by the central financial organ.

Article 33. In case a business license has not been obtained, expenditures to be made until the license is obtained shall be planned as part of pre-incorporation expenditures.

Article 34. Financial plan of a foreign-invested enterprise shall be registered with the central financial organ via the central trade guidance organ.

Chapter 4. Calculation of Production Cost and Fund Management

Article 35. Production cost includes all the cost items incurred in the course of producing a product.

Production cost shall be calculated on a regular basis by including all the costs incurred in the course of production by expenditure items and expenditure objects.

Article 36. A foreign-invested enterprise shall economize on raw and intermediate materials and lower the cost of production.

Article 37. A foreign-invested enterprises shall calculate all the costs and expenses incurred for production and management by indices on the basis of the cost items set by the central financial organ.

Article 38. Any loss incurred as a result of fluctuations in exchange rates, bad debts that cannot be recovered due to the bankruptcy of an enterprise, losses resulting from the sale or scrapping of fixed assets and the like shall be covered by non-production expenses.

Article 39. A foreign-invested enterprise may spend the operating expenses for nurseries, kindergartens, skilled worker schools, health resorts and sanitariums as part of enterprise management expenses.

Article 40. Any shortage in inventory-taking, natural decrease and other similar losses may be made good by adding them to the operation cost through discussion and decision at the board of directors or joint consultative board.

Article 41. A foreign-invested enterprise may spend PR expenses in connection with the marketing of its products and expansion of its market.

PR expenses shall be disbursed according to the standards set by the central financial organ.

Article 42. A foreign-invested enterprise shall pay social insurance premium that is payable by the enterprise.

The portion of social insurance premium that is payable by the enterprise shall be governed by the labour-related laws and regulations applying to foreign-invested enterprises.

Article 43. A foreign-invested enterprise shall increase production, expand external markets, reduce non-production expenses and constantly

improve its management so as to increase financial revenue.

Financial revenue shall include the proceeds from sale resulting from business activities, revenue earned upon the completion of a construction project, freight fees, labour earnings, revenue from consignment processing and the like.

Article 44. Revenue in Korean *won* earned from waste and by-products shall be calculated separately as another revenue and may be used only for designated purposes.

Article 45. A foreign-invested enterprise whose only line of business is consignment processing shall calculate only processing fees paid by the foreign investor as its financial revenue.

Article 46. Where a contractual joint-venture company is to repay the investment made by the foreign investor with its products, the amount of revenue as calculated by a designated ratio shall be calculated as financial revenue.

Article 47. Where a foreign-invested enterprise hands over its products to an institution, enterprise or association of the DPRK (hereinafter called the institutions and enterprises) in exchange for other goods, which are to be sold by the enterprise in external markets, the proceeds from the sale of the goods shall be calculated as its financial revenue and the production costs shall be covered out of the sales proceeds.

Article 48. A foreign-invested enterprise shall not make or receive payments under its business directly with the institution or enterprise but via the materials management institution dealing with foreign-invested enterprise.

Article 49. A foreign-invested enterprise shall meet the fund required for its management and operation with the contributions by the parties and may cover any shortage of fund with borrowing.

Article 50. Bank accounts and funds of a foreign-invested enterprise shall be managed only by the relevant financial manager, who shall be responsible for all financial transactions.

Article 51. A foreign-invested enterprise shall make or receive payments under economic transactions with foreign countries in a foreign currency.

Prices to be applied to economic transactions with foreign countries shall be based on the then international market prices.

Chapter 5. Financial Settlement and Profit Distribution

Article 52. Financial settlement is a review of business activities whereby implementation of financial plan and financial performance is examined and assessed numerically on the basis of financial and operational calculations and figures during a certain period of time.

Article 53. Financial settlement shall be conducted on a quarterly and yearly basis.

Article 54. Review of annual financial settlement shall be conducted at the board of directors or joint consultative board.

Article 55. Annual financial report shall be verified by a certified public accountants' office.

Quarterly financial report may be verified by a certified public accountants' office when it is deemed necessary.

Article 56. Quarterly financial report shall be submitted not later than 15th day of the month following the quarter and annual financial report within February of next year to the central trade guidance organ.

Article 57. Annual financial settlement shall be made by deducting expenditures from the annual gross revenue to determine profit.

Article 58. A foreign-invested enterprise may annually set aside and utilize 5 per cent of its net profit as reserve fund until the amount of the fund reaches 25 per cent of registered capital and up to 10 per cent of its net profit as other funds (such as production expansion and technological development fund, staff bonus fund, cultural and welfare fund and training fund).

Types and sizes of funds and areas and scopes of their utilization shall be discussed and decided by the board of directors or joint consultation board.

Whenever bonus fund, cultural and welfare fund or training fund is to be disbursed, it shall be agreed upon with the central financial organ.

Article 59. Profit remaining after deducting taxes and enterprise funds from the net profit of a foreign-invested enterprise may be distributed according to the shares of contribution or as stipulated in the contract or used to repay the investment.

Article 60. A foreign-invested enterprise shall pay taxes according to the relevant laws and regulations of the DPRK. Where a foreigner who has made registration for long stay or residence is to leave the DPRK, the immigration office shall clear him out only if it is satisfied that he has made tax payments.

Article 61. A foreign-investor may reinvest in the territory of the DPRK all or part of the repayment of his share of investment or profit that has been distributed.

Article 62. A foreign investor may bring out of the DPRK territory free of taxation money or goods he has received as repayment of investment or distribution of profit as well as any other legitimate income.

Chapter 6. Financial Liquidation

Article 63. Financial liquidation shall be done when a foreign-invested enterprise is dissolved.

Financial liquidation of a foreign-invested enterprise shall be done by the liquidation committee.

The liquidation committee shall be composed of the chief executive officer of the enterprise, representatives of the creditors and of the financial

organ, investors and other necessary people.

Article 64. The liquidation committee shall take over the assets and official seal and determine the assets of the enterprise as of the date of the dissolution of an enterprise and prepare the balance sheet and financial liquidation plan.

The financial liquidation plan shall receive approval of the central trade guidance organ.

Article 65. Where an enterprise cannot pay taxes due to its business losses, outstanding taxes shall be paid out of the remaining physical assets.

Article 66. Where a foreign-invested enterprise that has been exempted from the payment of enterprise income tax is to be dissolved before its original period of existence expires, it shall pay the enterprise income tax from which it has been exempted.

Article 67. Where an enterprise is dissolved due to a failure to perform contractual obligations in relation to investment, the resulting loss shall be made good by the investor who has failed to perform the obligations.

Article 68. When financial liquidation is over, financial liquidation report shall be prepared and submitted to the central trade guidance organ and the account in the bank shall be closed within 10 days of the completion of the liquidation.

Chapter 7. Supervision and Control

Article 69. The central financial organ shall be responsible for supervision and control over the financial management of foreign-invested enterprises.

The central financial organ shall intensify supervision and control to ensure that financial management of foreign-invested enterprises be conducted properly without any deviation.

Article 70. The central financial organ may examine or inspect the financial management of foreign-invested enterprises and demand relevant information.

Article 71. In case of a violation of these regulations, administrative sanctions may be applied such as arrearage charge, fine, asset confiscation, suspension of business and forced execution.

A foreign-invested enterprise aggrieved by an administrative sanction imposed by the central financial organ may submit a complaint or petition.

A complain or petition shall be settled within 30 days of its receipt.

REGULATIONS ON THE INTRODUCTION OF LATEST TECHNOLOGIES BY FOREIGN_INVESTED ENTERPRISES

Adapted by Decision No. 44 of the Cabinet on August 24, 2001

Chapter 1. General

Article 1. These regulations are formulated in order to encourage foreign-invested enterprises to introduce latest technologies.

Article 2. Latest technologies shall include patents and technical know-how that are introduced by foreign-invested enterprises, IT and technologies in the field of scientific research as well as technologies in other priority sectors that are encouraged by the State.

Article 3. The central trade guidance organ shall be responsible for unified control and guidance over the introduction of latest technologies by foreign-invested enterprises.

Article 4. These regulations shall apply to foreign-invested enterprises that introduce latest technologies.

Chapter 2. Examination and Registration of Latest Technologies

Article 5. The central organ of administrative guidance over science and technology shall be responsible for the examination and registration of latest technologies that have been introduced by foreign-invested enterprises.

Article 6. Where a foreign-invested enterprise has introduced a latest technology, it shall undergo examination related to the latest technology.

In order to undergo such examination, a written application shall be submitted to the central organ of administrative guidance over science and technology.

The application document shall state the name of the applicant, form of business, seat of the enterprise, name of the latest technology and the like and shall be accompanied by necessary documents such as data on technical and economic effectiveness.

Article 7. An application for examination of the latest technology shall be examined within 30 days of its receipt.

Article 8. Latest technologies shall be examined by involving specialists and experts in the relevant sector.

Article 9. When the examination of a latest technology has been completed, an examination report shall be prepared. The examination report shall contain the relevant information and be accompanied by the result of the assessment.

Article 10. Where the central organ of administrative guidance over

science and technology has concluded that a technology introduced by a foreign-invested enterprise qualifies as a latest technology, it shall register the technology, issue a certificate of introduction of the latest technology to the enterprise, and notify the central trade guidance organ, the central financial organ and the central customs organ of the result.

A certificate of introduction of the latest technology shall state the name of the foreign-invested enterprise, name of the latest technology introduced, date and number of registration and the like.

Chapter 3. Preferential Treatment

Article 11. Preferential treatment shall be granted to a foreign-invested enterprise that has been issued a certificate of introduction of the latest technology.

Article 12. Preferential treatment shall apply only to the categories of business and indices in which the latest technology has been introduced.

Article 13. The period of preferential treatment shall be calculated from the date of receipt of the certificate of introduction.

Article 14. Preferential treatment shall be granted in the form of reduction of or exemption from taxes and the like.

Article 15. For a foreign-invested enterprise that has received a certificate of introduction of the latest technology, the enterprise income tax rate shall be 10 per cent of the net profit in the categories of business and indices in which the latest technology has been introduced. Where an enterprise that has introduced a latest technology is to operate for longer than 10 years or where the annual net profit in the categories of business and indices in which a patent or technical know-how has been introduced is greater than 70 per cent of the total net profit of the foreigner-invested enterprise, it shall be exempted from enterprise income tax for 3 years from the first profit-making year and entitled to a reduction of the tax by up to 50 per cent for the following 2 years.

Article 16. Where a foreign-invested enterprise has received a certificate of introduction of a latest technology in the field of information industry, scientific research and other priority sectors, it shall be exempted from enterprise income tax for 3 years from the first profit-making year and entitled to a reduction of the tax by up to 50 per cent for the following 2 years.

Article 17. Where products made through the introduction of a latest technology are sold in the territory of the DPRK upon request by the State, the enterprise shall be exempted from the turnover tax payable on the products so sold and the customs duty payable on the imported materials used for the making of the products.

Article 18. Where products made through an introduction of a latest technology are sold in the territory of the DPRK because no market can be found although their quality has reached that of the goods of the same kind

traded in the international market, the enterprise shall be exempted from the customs duty and turnover tax for 1 year to be followed by exemption from only the customs duty for the next 2 years.

Article 19. Funds created as a result of exemption from customs duty and turnover tax may be used for the development and introduction of new technologies by the foreign-invested enterprise.

Chapter 4. Supervision and Control

Article 20. Where the central trade guidance organ discovers that a foreign-invested enterprise that has received a certificate of introduction of a latest technology has failed to conduct its business activities as stipulated in the certificate, it shall notify the central organ of administrative guidance over science and technology of the situation and take relevant measures.

Article 21. Any disagreement arising in connection with the introduction of latest technologies shall be resolved through consultation.

Any dispute that cannot be resolved through consultation shall be brought before an arbitration body or a court of the DPRK for settlement.

Article 22. In case of a violation of these regulations, administrative sanctions shall be imposed depending on the degree of violation such as fine, suspension of preferential treatment and withdrawal of the certificate of introduction. In case of a grave violation, criminal punishment shall be applied.

REGULATIONS ON THE NAMING OF FOREIGN-INVESTED ENTERPRISES

Adopted by Decision No. 21 of the Cabinet on March 13, 1999

Article 1. These regulations are formulated to establish order in naming foreign-invested enterprises incorporated in the territory of the DPRK.

Article 2. Names of foreign-invested enterprises shall include that of a joint venture, equity or contractual, as well as that of a wholly foreign-owned enterprise.

A resident representative office of a foreign enterprise (hereinafter called the resident representative office) may also be named in accordance with these regulations.

Article 3. The approval of the naming of foreign-invested enterprises shall be undertaken by the body that screens the establishment of the enterprises (hereinafter called the screening body).

Article 4. Any foreign-invested enterprise shall be entitled to only one name.

Where a foreign-invested enterprise is engaged in two or more different business activities, it may possess two names, subject to the approval of the screening body. But it, by no means, signifies recognition of two different enterprises.

Article 5. The name of a foreign-invested enterprise shall include the following:

1. Trade name indicative of either the name of the investor or the name of a place,
2. Principal content of business activities/line of business
3. Type of business, and
4. Limit of liability of the enterprise.

Article 6. Any resident representative office shall be named by prefixing the name of the parent company to its trade name.

Article 7. The name of a foreign-invested enterprise shall be expressed in Korean language.

Where the name of a foreign-invested enterprise is to be given in a foreign language, it shall be so expressed as to be equivalent to the Korean version

Article 8. Any foreign-invested enterprise shall be prohibited from possessing any such names as:

1. That may undermine the sound life-style of the State and society,
2. That may overlap or be confused with that of any another enterprise,
3. That is made up with numerals,
4. That is apt to deceive or mislead the public opinion,
5. That is identical with that of another country or region,
6. That is identical with that of any political or military organization or

any international agency, or

7. That is identical with that of any enterprise whose business registration was cancelled only less than a year ago.

Article 9. The name of any foreign-invested enterprise shall become legally effective from the date of its business registration, and thereafter, the enterprise shall reserve the right to exclusive use of the name within the territory of the DPRK.

Article 10. The name of a foreign-invested enterprise appearing on official document, a seal, bank account, signboard, postal matter, etc., shall be identical with that already registered with the screening body. Any abbreviation may be used for signboards of shops, restaurants and other agencies in the service sector, in which case an approval shall be obtained from the screening body thereof.

Article 11. Where a foreign-invested enterprise intends to change its name, an approval shall be secured from the screening body thereof.

Except for a special case, the name of any foreign-invested enterprise shall not be changed within the period of 1 year from the date of its registration.

Article 12. A foreign-invested enterprise may transfer its name to any other business entity along with its property, in which case an approval shall be obtained from the screening body thereof.

Any business name shall be transferable only to one business entity and the transferor shall not use the name so transferred to such other entity.

Article 13. Where the right to exclusive use of business name is encroached upon, a foreign-invested enterprise concerned shall be entitled to request the screening body to apply appropriate remedies for recovery of the right.

Article 14. If a foreign-invested enterprise contravenes any of these regulations, it shall bear administrative penalties such as confiscation of illegal gains, fine, suspension of operation and seizure of the certificate of business registration to the extent of the breach, and criminal punishment in case of severe violation.

Article 15. Where grievance is harboured against any activity relating to the naming of a foreign-invested enterprise, an appeal may be filed.

Any such appeal shall be settled within 30 days from its receipt.

REGUGLATIONS ON THE REGISTRATION OF FOREIGN IN VESTED ENTERPRISES

Adopted by Decision No. 29 of the Cabinet on March 21, 1999

Article 1. These regulations are intended to provide for a regime governing the registration of foreign-invested enterprises incorporated within the territory of the DPRK, as well as to protect their legitimate rights and interests.

Article 2. The registration of foreign-invested enterprises (hereinafter called business registration) shall include that of the joint venture enterprises, both equity and contractual, and of the wholly foreign-owned enterprises.

The resident representative office of a foreign enterprise (hereinafter called the resident representative office) shall also be registered subject to these regulations.

Article 3. The business registration shall be undertaken either by a provincial people's committee or by the people's committee of such a special economic zone as the Rason economic and trade zone (hereinafter called the business registrar).

Article 4. Lawful activities of the foreign-invested enterprises that have been registered with the business registrar shall be protected by law.

The foreign-invested enterprises that have not been registered with the business registrar shall be prohibited from carrying out any business activity.

Article 5. Foreign-invested enterprises shall abide by the laws and regulations of the DPRK relating to business registration.

Article 6. The central trade guidance organ shall monitor and direct in a unified manner all the matters related with business registration.

Article 7. A foreign-invested enterprise shall complete business registration within 30 days of the approval of incorporation (a resident representative office within 20 days of the approval of its opening).

Article 8. For the purpose of registration of a foreign-invested enterprise, an application shall be tendered to the business registrar.

The application for business registration shall contain relevant details and be accompanied by the certificate of approval of incorporation, memorandum of association, certificate of investment or guarantee for investment (or a guarantee by the head office against any liabilities incurred by the branch of a foreign bank), the imprint of the common seal, etc.

Article 9. The business registrar shall review and confirm whether to approve or reject the business registration of a foreign-invested enterprise within 10 days from the receipt of the application.

Article 10. For the purpose of business registration, entries shall be made in the register book.

Such a book shall contain such particulars as the name and address of an enterprise, the manager of the enterprise in question, the type of business,

registered capital, scope of business activities, term of operation, number of staff of a resident representative office and so on.

Article 11. The business registrar shall undertake to issue a certificate of business registration within 7 days of any such registration having been made.

The certificate of business registration shall specify such details as the date of registration, registration number, name of the enterprise, number of staff of a resident representative office, address, scope of business activities, term of operation and so on.

Article 12. The certificate of business registration is a legal instrument certifying the status of a business entity as a corporate body of the DPRK.

The content of the certificate of business registration shall not be changed at one's will.

Article 13. In case the certificate of business registration has been lost, due notification shall be made thereof to the business registrar within 10 days. Where the certificate of registration lost is not found within 30 days, the business concerned shall have it reissued.

Article 14. The business registrar shall inform the relevant organ of the registration of a foreign-invested enterprise within 20 days of any such registration having been made.

Article 15. Where the content of registration is altered or an enterprise is dissolved, the registration shall be changed or cancelled, as appropriate.

Article 16. When business registration has been completed, a prescribed commission shall be paid.

Commission shall be fixed by the central financial organ (the Zone financial organ in the Rason economic and trade zone).

Article 17. The business registrar shall ensure strict supervision and control so that any deviation may not be observed in relation with business registration.

Article 18. If a foreign-invested enterprise contravenes any of these regulations, administrative penalties including confiscation of illegal gains, fine, suspension of operation and seizure of the certificate of business registration shall be imposed to the extent of breach, and penal responsibility shall be imposed in case of a severe breach.

Article 19. Where grievance is harbored in relation to business registration, an appeal may be filed.

Any such appeal shall be settled within 30 days from the receipt of such a case.

LABOUR REGULATIONS FOR FOREIGN-INVESTED ENTERPRISES

Adopted by Decision No. 40 of the Cabinet on May 8, 1999

Chapter 1. General

Article 1. These regulations are formulated to provide foreign-invested business with necessary labour and to protect rights and interests of the employed in their work and life.

Article 2. Labour needed for foreign-invested enterprises shall be recruited or employed, remuneration be paid and conditions be provided for their work and life, pursuant to these regulations.

These regulations shall be also applied to the foreign enterprises incorporated in the territory of the DPRK.

Article 3. A foreign-invested business shall employ the labour of the DPRK.

In case foreign nationals are to be recruited as management staff members, technicians and skilled workers of special jobs, consent shall be secured of the central trade guidance organ.

Article 4. The labour employed by a foreign-invested business shall not be used for other purposes, except in case of force majeure such as natural disaster.

Article 5. The amount of remuneration shall be determined by the foreign-invested business of its employees, in consideration of the type of job, the degree of qualification and productivity.

Remuneration shall include wage, allowance, bounty and bonus.

Article 6. A Foreign-invested business shall pay primary attention to the improvement of working conditions so that employees can work in a safe and clean environment, and to the protection of their lives and promotion of their health.

Article 7. A foreign-invested business shall ensure that the citizens of the DPRK under its employment benefit from social insurance and social security, subject to the laws and regulations of the DPRK on labour.

Article 8. A foreign-invested business shall protect the rights and interests of its employees and conclude a labour contract with the trade union representing the employees.

The labour contract shall define duties of employees, quota of production, quality standard, working hours, holidays, remuneration, guarantee of living conditions, labour protection, working conditions, labour discipline, reward and punishment, retirement and so on.

The labour contract shall have legal effect from the date of its signing and any amendment shall be made by agreement between both sides.

A foreign-invested business shall submit the labour contract to the

labour organ in the Zone.

Article 9. The central labour organ shall supervise and control in a unified way all matters concerning organization and undertaking of labour in the foreign-invested business.

Chapter 2. Employment of Labour

Article 10. A foreign-invested business shall independently determine the number of employees needed for its operation, conclude a contract of employment with the labour exchange office and employ labour as provided for in the contract.

The contract of employment shall specify such particulars as the number of employees classified into the types of jobs and skills, the term of employment, labour cost, and working and living conditions.

Article 11. The labour exchange office shall provide the foreign-invested business with the labour resident in the area of its operation. If certain skilled workers are not available or in short supply, they may be recruited from other areas.

In such a case, the labour exchange offices in the relevant areas are obliged to supply them.

Article 12. An equity or contractual joint venture which is run jointly with the institutions or enterprises of the DPRK shall give priority to the employees of the contracting parties of the DPRK in respect of employment.

Article 13. A foreign-invested business shall employ the labour recommended by the labour exchange office in the area of its operation. This provision, however, does not prevent any foreign-invested business from refusing the labour if found inconsistent with the terms of the contract of employment.

Article 14. A foreign-invested business shall not dismiss any of its employees before the expiry of the term of employment without consent of the trade union and the labour exchange office concerned, as well as the employees who receive medial treatment due to occupational disease or injury in service are in sickbed for up to 6 months, and female employees who are married, pregnant, in maternity leave or in breast-feeding period.

Article 15. A foreign-invested business may, after consultation with the trade union and the labour exchange office concerned, dismiss any of its employees even before the expiry of the term of employment in case an employee, though he has been treated for disease or injury other than occupational disease or injury caused while working, is not capable of continuing his former work or other jobs, any redundancy of labour is caused due to the changes in production management and technical conditions, any curtailment of labour becomes inevitable or winding-up is declared in face of bankruptcy, or an employee has inflicted great loss to the enterprise or seriously violated the labour discipline.

Article 16. An employee of a foreign-invested enterprise may tender resignation when he has personal reasons to discontinue the job or transfer to another job, is not able to display his technical capability because his job does not fit in his profession, or is enrolled in an institute of learning.

Article 17. In case a foreign-invested business intends to dismiss an employee not by his own fault but for some reasons, it shall give subsidy to him at a rate decided on the basis of the years of his service.

The amount of subsidy shall be equivalent to that of one-month wage of the recent period if the employee concerned has worked for less than 1 year, and shall be as much as calculated on the basis of both the average wage of the recent three months and the years for which he has worked when the employee concerned has engaged in labour for more than 1 year.

Article 18. When a foreign-invested business dismisses or accepts the resignation of an employee, it shall, after consultation with the relevant trade union, submit the list to the labour exchange office in the area of its location 1 month in advance of his dismissal or resignation.

Chapter 3. Technical Training

Article 19. A foreign-invested business shall improve technical qualifications of its employees and qualify them, according to the laws and regulations of the DPRK on labour.

Article 20. A foreign-invested business may, if necessary, train skilled workers.

Article 21. The people's committee in a special economic zone may organize and run a technical training center as required by the foreign-invested business.

Technical training shall be given in the forms of in-service training and pre-employment training for school leavers.

Chapter 4. Working Hours and Holidays

Article 22. The working week shall be 6 days and the working day 8 hours.

According to the level of intensity and special conditions of work, a foreign-invested business may fix the working hour shorter.

In the sectors influenced by seasonal limitations, the working hours may be flexible within the range of the total working hours of the year.

Article 23. A foreign-invested business shall not work its employees overtime.

Under unavoidable circumstances, it may organize overtime work but only after having consultation with the trade union.

Article 24. A foreign-invested business shall provide its employees with rest on bank holidays and with regular and additional leave and maternity

leave according to the laws and regulations of the DPRK.

If employees are requested to work on a bank holiday, they shall be given a compensatory day off within 1 week.

A foreign-invested business shall provide each of its employees with special leave of 1 to 5 days for ceremonial occasions. The special leave shall not include the days for traveling.

Chapter 5. Remuneration

Article 25. The standard rate of monthly wage of an employee working for a foreign-invested business shall be fixed by the central labour organ.

The central labour organ shall fix the standard rate of monthly wage on the principle of compensating for physical and mental strength of employees emaciated in the course of their working and guaranteeing their life.

The wages in the preparatory period for operation and those for apprentices and unskilled workers may be lower than the standard monthly wage set under the approval of the relevant organ.

A foreign-invested business shall, on the basis of the rated standard wage, decide wages by occupation and position, forms and methods of payment, and the standard allowance, bounty and bonus.

Article 26. A foreign-invested business shall gradually increase the rate of wage in step with the growth of production and the improvement of technical qualifications of its employees and labour productivity.

Article 27. A foreign-invested business shall pay remuneration related with leave and additional leave before he goes on leave.

Remuneration for leave shall be calculated by multiplying the average daily remuneration for actual working days during the three months immediately before leave by days of leave. The calculation shall be based on wage, allowance and bounty.

Article 28. A foreign-invested business shall pay its employees subsidy equivalent to 60 per cent or more of daily or hourly wage for the days or hours when they were off work due to mismanagement of the enterprise or their training.

Article 29. A foreign-invested business, which has worked its employees on a bank holiday and failed to give a compensatory day off, or worked overtime in the day or worked them at night, shall pay them allowance equivalent to 50 per cent (100 per cent to the employees whom it worked on a bank holiday or overtime at night) of their daily or hourly wage for the days or hours of their extra work, in addition to the wage.

Article 30. A foreign-invested business may create a bonus fund with part of its after-tax profits and, in consultation with the trade union, pay bonus to the employees who have contributed to fulfillment of the production quota.

Article 31. A foreign-invested business shall accurately set the wage, allowance, bounty and bonus to be paid to the employees, according to actual

results of their working. In case an employee resigns or is dismissed before the payday, he shall be paid the remuneration after due procedures are over.

Chapter 6. Labour Protection

Article 32. A foreign-invested business shall install and steadily improve labour safety facilities to ensure the safety of operation, keep off heat, gas and dust, and provide industrial hygienic conditions such as lighting and ventilation, so that the employees can work under sound and clean conditions.

Article 33. A foreign-invested business shall give its employees education in labour safety before working them. The period of education shall be 1 to 2 weeks depending upon the types of job and occupation.

Article 34. A foreign-invested business shall provide sanitary and labour safety facilities to female employees.

No difficult and harmful work shall be assigned to any female employee who is over 6 months pregnant.

Foreign-invested businesses may build and operate creches and kindergartens to bring up the children of the employees in conformity with their actual conditions.

Article 35. A foreign-invested business shall regularly supply its employees with labour materials such as protective guards and shields, safety tools and devices and nutrients.

The standard of labour safety materials for employees shall be determined by the foreign-invested business not to be lower than that fixed in the laws and regulations of the DPRK on labour.

Article 36. If a serious industrial accident occurs resulting in death, injury or poisoning of any of its employees on job, the foreign-invested business shall promptly notify a relevant organ of the case and submit itself to the investigation of a relevant organ.

Chapter 7. Social Insurance and Social Security

Article 37. The citizens of the DPRK employed by a foreign-invested business shall be entitled to the benefits of social insurance and social security schemes in the event of sickness, injury or retirement.

The benefits of social insurance and social security include subsidy, pension, recuperation, recreation and medical treatment.

The employees applying for subsidy and pension shall submit to the foreign-invested business concerned a medical certificate or a document of justification to that effect issued by a health service organ.

The foreign-invested business shall have the application for payment of subsidy approved by the social insurance organ so as to draw the subsidy from the bank and pay it to the employees on the payday.

The traveling expenses to and from the recuperation and rest homes and the subsidy for funeral service shall be paid in advance against a relevant document and be settled afterwards.

In relation to pension and subsidy by the social security scheme, the foreign-invested business shall submit the application to the social insurance organ for approval and make payments on such dates as determined by the social welfare organ.

Article 38. Subsidy and pension by the social insurance and social security schemes shall be calculated in accordance with the laws and regulations of the DPRK on labour.

Article 39. The social insurance and social security schemes shall be funded from the social insurance fund. The social insurance fund shall be created with insurance premium paid by the foreign-invested business and its employees.

Article 40. A foreign-invested business may set up recuperation and rest homes for the promotion of health of its employees.

The operation cost of the recuperation and rest homes shall be met with the social insurance fund.

Article 41. A foreign-invested business shall be supervised by the social insurance organ in the area of operation and the trade union in respect of the payment of insurance premium and appropriation of insurance fund.

Article 42. A foreign-invested business may create a welfare fund for its employees with part of its after-tax profits.

The welfare fund shall be spent on improving the cultural and technical levels, sponsoring mass cultural and sports events and running welfare facilities. The trade union shall supervise use of the welfare fund.

Chapter 8. Penalties and Settlement of Disputes

Article 43. If a foreign-invested business contravenes any of these regulations, it shall bear such administrative penalties as suspension of business and fine to the extent of the breach, and penal responsibility in case of severe breach.

Article 44. A foreign-invested business which has a grievance regarding the implementation of these regulations may present a complaint or a petition.

A complaint or a petition shall be settled within 30 days after its receipt.

Article 45. Any disagreement related to the implementation of these regulations shall be settled between the parties concerned through consultation. Any dispute that cannot be settled between the parties concerned shall be brought to an arbitration agency or a court of the DPRK.

REGULATIONS ON THE RESIDENT REPRESENTATIVE OFFICES OF FOREIGN ENTERPRISES IN THE RASON ECONOMIC AND TRADE ZONE

Adopted by Decision No. 61 of the Cabinet on October 27, 2000

Article 1. These regulations are formulated to govern the establishment of resident representative offices of foreign enterprises and a proper order in their practice in the Rason economic and trade zone.

Article 2. The opening and operation of a resident representative office of a foreign enterprise (hereinafter called the resident representative office) shall be subject to these regulations.

Article 3. Foreign enterprise (hereinafter called the parent enterprise) can open and operate resident representative offices in the Rason economic and trade zone (hereinafter called the Zone).

Article 4. The term of residence of the representative office shall be up to 3 years and the number of officers shall not exceed 5.

The resident representative office shall consist of a senior representative and other officers.

Administrative and technical staff such as interpreters, typists, bookkeepers and welfare men, and service personnel such as drivers and watchmen cannot be officers that represent the resident representative office.

Citizens of the DPRK can be employed as senior representatives and officers (including service personnel).

Article 5. The resident representative office shall carry out such activities as communication service, consultation and dissemination of economic and technical information that are related to the business of the parent enterprise.

If necessary, it may engage in agent activities by entering into contracts with clients or by making payments and deliveries of goods on behalf of and at the expenses of the parent enterprise within the limit authorized by the parent enterprise.

In such a case the representative office shall submit a letter of authorization signed by the parent enterprise to the Rason City People's Committee (hereinafter called the Zone Administration) and have it approved.

Article 6. The resident representative office shall not engage in such business activities as importing goods from foreign countries for the purpose of selling in the territory of the DPRK and exporting goods obtained in the territory of the DPRK.

In case any agreement is entered into on resident representative offices between the Government of the DPRK and the government of other country, the representative offices concerned may orient their activities thereby.

Article 7. The resident representative office shall respect and abide by the laws and regulations of the DPRK.

Article 8. The legitimate rights and interests of the resident representative office shall be protected by the law of the DPRK.

Article 9. When a foreign enterprise opens a resident representative office, it shall submit the application related to the establishment of a resident representative office to a central foreign trade guidance organ (or to the Central Bank in case of a foreign financial institution) through the Zone Administration.

The application shall contain the names of both the parent enterprise concerned and its representative office, the name of the senior representative, the number and names of officers, the place of location, the range of their activities and the term of residence, and shall be accompanied by a copy of the certificate of business registration issued by the relevant authorities of the area or country in which the parent enterprise is headquartered, a letter of credit-worthiness issued by the bank in dealership (this being needed only in case the office engages in agent activities related to transaction) and the letters of accreditation and curriculum vitae of the proposed senior representative and officers.

In addition to above-mentioned particulars, the application for the opening of a representative office by a foreign financial institution shall include the financial statement of the recent period, the profit-and-loss account, the memorandum, and the list of the board of directors of the parent enterprise.

Article 10. The central trade guidance organ and the Central Bank (hereinafter called the screening body) shall, in consultation with other bodies concerned, screen and approve or disapprove the application for the establishment of a resident representative office within 30 days from the date of its receipt.

Article 11. The screening body shall deliver the letter of approval to the Zone Administration within 10 days from the date of the approval given.

Article 12. The resident representative offices shall apply to the Zone Administration for registration within 20 days from the date of the receipt of the letter of approval.

The application for registration shall specify the content of the application for establishment and shall be accompanied by the letter of approval.

Article 13. The Zone Administration shall register the representative office and issue a registration certificate of the resident representative office.

In this case, the resident representative office shall pay registration fees to the Zone Administration.

The day when the resident representative office is registered shall be considered as the day of its establishment.

Article 14. Foreign officers and their family members of the resident representative office shall register for residence in accordance with the laws and regulations on residence of foreigners, get relevant identification certificates and strictly abide by the laws and regulations on immigration and

residence of foreigners in the Zone.

Article 15. The certificate of registration of the resident representative office shall be valid for 1 year.

Every year the resident representative office shall have its certificate of registration reissued by the Zone Administration 15 days before the expiry of the term.

Article 16. When it wishes to change its name, the place of its location, its activities or the number of representatives, the resident representative office shall submit the application for change to the screening body through the Zone Administration for approval.

In case of replacing senior representative or officers, the letter of accreditation and the curriculum vitae of the persons concerned shall be attached to the application for change.

The resident representative office shall register the contents of change with the Zone Administration within 7 days from the date of approval received for replacing senior representative or officers.

Article 17. Where the post of the senior representative is vacant, one of the officers shall act for him.

In this case, the resident representative office shall send a written notice to the bodies concerned.

Article 18. The resident representative office shall open an account with a foreign exchange bank of the DPRK.

Article 19. Subject to the laws and regulations of the DPRK on tax levied on foreign-invested enterprises and foreigners, the resident representative office and its officers shall make tax registration with the financial institute in the place where it is located and pay tax due.

Article 20. The resident representative office shall submit the annual report on its activities to the screening body through the Zone Administration in January every year.

The annual report shall be prepared in Korean.

Article 21. Where the resident representative office hopes to renew the term of residence, it shall submit the application for renewal to the screening body through the Zone Administration 3 months before the expiry of the term of residence for approval.

The application for renewal shall specify the name of the applicant, desired period of renewal, the reason for it and the like.

Article 22. In case of importing transport means, office materials and daily necessities to be used for the office, the resident representative office shall have them cleared by the customs.

Transport means shall not be used until they are registered with the organs concerned to obtain the driving licence and the plate number and are insured against the third party liabilities.

The transport means, office materials and daily necessities brought in from other countries shall not be sold or used for other purposes.

If owing to unavoidable circumstances, it wishes to sell its transport means, office materials and daily necessities. the resident representative office shall do so only through the designated body after they have been declared to the customs and duties paid.

Article 23. In case of renting a building or employing labour needed for the office, the resident representative office shall enter into a contract with the institution that manages the building or labour exchange agency. Management of the buildings leased and the employees of the resident representative office shall be subject to the laws and regulations on the lease of buildings and labour applicable to foreign-invested enterprises.

Article 24. All communications, internal and external, required for business of the resident representative office shall be provided by the relevant telecommunications body of the DPRK.

If necessary, international telecommunications facilities may be installed with the consent of the body concerned.

Article 25. Where the resident representative office withdraws at the expiry of, or before, the term, it shall send written notices to both the screening body and the Zone Administration and settle all matters related to tax, claims and liabilities 30 days in advance of its withdrawal.

Upon the completion of liquidation, it shall have the registration cancelled by returning the certificate of registration to the Zone Administration within 7 days from the date of liquidation and undergo procedures for cancelling registration.

In such a case, the document issued by the financial institution certifying the payment of tax by the representative office concerned shall also be presented to the Zone Administration.

Article 26. Fees shall be paid to the body concerned when the resident representative office has any certificate issued or reissued or has them altered or cancelled.

Article 27. The screening body and the Zone Administration are authorized to inspect and examine activities of the resident representative office.

In this case, the resident representative office shall comply with the requirements of the inspector and allow him to have access to necessary documents and information.

The parent enterprise shall be responsible for the consequences of the activities conducted by its resident representative office.

Article 28. In case these regulations are contravened, such punishment as fine, confiscation of property or deportation shall be inflicted and if the violation is grave enough, the person concerned shall bear penal responsibility.

Article 29. Any disagreement related to activities of the resident representative office shall be settled through negotiations.

In case negotiations fail, the dispute shall be heard and settled by the court or arbitration body of the DPRK.

REGULATIONS ON ENTREPOT TRADE IN THE RASON ECONOMIC AND TRADE ZONE

Adopted by Decision No. 62 of the Cabinet on October 27, 2000

Chapter 1. General

Article 1. These regulations are formulated to establish an order related to entrepot trade in the Rason economic and trade zone and to expand and develop external economic relations with different countries of the world.

Article 2. Entrepot trade is a type of trade whereby goods are brought in from a country and the same foreign goods are taken out again to another country either as they are or after being repackaged or undergoing some processing.

Article 3. Trading companies of the DPRK may conduct entrepot trade in the Rason economic and trade zone (hereinafter called the Zone).

Foreign-invested enterprises established in the Zone may also conduct entrepot trade with the approval of the central trade guidance organ.

Trading companies of the DPRK and foreign-invested enterprises established in the Zone that intend to be engaged in entrepot trade in the Zone (hereinafter called the entrepot trader) shall make customs registration with the customs office of the Zone.

Article 4. The entrepot trader conducting legal entrepot trading activities in the Zone shall be protected by the law of the DPRK.

The entrepot trader shall strictly observe the relevant laws and regulations of the DPRK.

Article 5. The Rason City People's Committee (hereinafter called the Zone Administration) shall guide entrepot trade activities in the Zone under the unified supervision and guidance of the central trade guidance organ.

Article 6. These regulations shall be applicable to the entrepot traders in the Zone.

Chapter 2. Bringing In and Taking Out of Entrepot Trade Goods

Article 7. Entrepot trade goods may be brought into or taken out of the Zone without the trader having to obtain an export/import licence and an approval of price as well as to submit such goods to quality inspection by the relevant organs of the DPRK.

Where necessary, the entrepot trader may request the relevant quarantine or inspection organ to quarantine or inspect entrepot trade goods and be issued relevant documents of quarantine or inspection.

Where necessary, a relevant quarantine or inspection organ may quarantine or inspect entrepot trade goods without any request being made to it

to do so.

Article 8. Where entrepot trade goods are to be brought in or taken out, a document declaring export/import shall be submitted to the Zone Administration and, upon its agreement being granted, to the customs office of the Zone.

Article 9. No entrepot trade goods taken out of the Zone shall bear the certificate of origin or a trademark of the DPRK.

Article 10. No entrepot trade goods which are detrimental to the national security or harmful to the life and health of people or to the growth of animals and plants shall be brought into the Zone.

Article 11. Entrepot trade goods shall be brought into or taken out of the Zone only through a designated route.

Article 12. Entrepot trade goods shall be exempted from customs duty.

Chapter 3. Storage and Repackaging of Entrepot Trade Goods

Article 13. Entrepot trade goods shall be stored only in places with storage facilities such as warehouses and open storage yards, as approved by the customs office.

Article 14. The entrepot trader shall pay fees for the storage of entrepot trade goods.

Article 15. Entrepot trade goods may be sorted, repackaged, or undergo some processing to the extent that their properties are not changed.

Article 16. Where entrepot trade goods are to be processed a little or repackaged, a declaration shall be submitted to the Zone Administration and the customs office stating the names of the goods, the content and period of processing or repackaging and so on.

Article 17. Processing or repackaging of entrepot trade goods may be performed directly by the entrepot trader or be entrusted to an enterprise in the Zone under the supervision of the customs office.

Chapter 4. Supervision and Control

Article 18. The Zone Administration and the customs office of the Zone shall exercise supervision and control over entrepot trade activities.

Article 19. In case of violation of these Regulations, sanctions shall be imposed such as fine, confiscation of the entrepot trade goods or suspension of the entrepot trade business depending on the degree of violation and, in case of a grave violation, criminal punishment shall be applied.

Article 20. In case of a grievance in connection with entrepot trade activities, a complaint or petition may be submitted.

A complaint or petition shall be settled within 30 days from its receipt.

REGULATIONS ON CONTRACT CONSTRUCTION IN THE RASON ECONOMIC AND TRADE ZONE

Adopted by Decision No. 59 of the Cabinet on October 27, 2000

Chapter 1. General

Article 1. These regulations are formulated to provide a regime governing contract construction and facilitate contract construction in the Rason economic and trade zone.

Article 2. Any foreign-invested enterprise, foreign individual or Korean compatriot residing outside the territory of the DPRK (hereinafter called the owner) may commission a construction project to a DPRK or foreign building company (hereinafter called the contractor) in the Rason economic and trade zone (hereinafter called the Zone).

Article 3. Contract construction is an undertaking, in which the owner concludes a contract with the contractor to commission a construction project.

Article 4. Contract construction shall include main contract construction and subcontract construction (including labour subcontract construction).

Main contract construction is an undertaking, in which the contractor takes over the whole construction project under the contract with the owner.

Subcontract construction is an undertaking, in which the contractor concludes a subcontract with another contractor to commission part or whole of the construction project, subject to approval of the owner.

Labour subcontract construction is an undertaking, in which labour subcontractor takes over the construction project under the condition that main contractor or subcontractor provides equipment, tools, instruments, building materials and others at its own expenses.

Article 5. Contract construction projects shall include construction of new buildings and other structures, reconstruction, relocation, enlargement, rehabilitation, improvement, expansion and repair.

Article 6. The contractor shall have such skilled labour and modern equipment that it can carry out contract construction in the Zone, and be self-supportive as an independent entity.

Article 7. Labour for contract construction shall be provided through the labour exchange agency in the Zone. A foreign owner or contractor shall employ more than 80 per cent of total labour needed for contract construction with that of the DPRK.

In special cases, the percentage may be regulated subject to approval of the central trade guidance organ.

Article 8. The Zone construction supervision organ shall exercise a uniform control over contract construction, under the guidance of the central trade guidance organ.

Article 9. The matters that are not covered by these regulations shall be governed by other corresponding laws and regulations of the DPRK.

Chapter 2. Project Construction

Article 10. Where the owner wishes to be engaged in contract construction, it shall submit an application for a contract construction project to the State construction supervision organs for approval.

The State construction supervision organs include the central construction supervision organ and the Zone construction supervision organ.

Article 11. The State construction supervision organs shall review and decide whether to reject or approve the application for a contract construction project within 10 days from its receipt.

Article 12. A contract construction project shall be designed as indicated in the letter of approval.

The owner may place an order with a DPRK design institution or a foreign design company to design the project.

Article 13. A contract construction shall be undertaken according to the contract between the owner and the contractor.

Article 14. A contract may be entered into by means of tendering or agreement.

Tendering shall be approved by the Zone construction supervision organ.

Article 15. When the owner has selected a contractor or subcontractor, it shall obtain an approval of the Zone construction supervision organ.

Article 16. The contractor who intends to undertake a contract construction project shall register the contract with the Zone construction supervision organ.

Article 17. Before groundbreaking, the owner shall apply to the Zone construction supervision organ for construction licence, and hand over to the contractor the letter of approval, design, construction licence and other necessary documents.

Article 18. Ground shall not be broken for an unlicensed construction project.

Article 19. The contractor, which has not been registered in the Zone, shall submit an application to the zone business registrar for temporary business registration.

Article 20. The Zone business registrar shall, within 20 days from the receipt of application, review it and decide whether to register the applicant or reject it.

When the temporary registration has been approved, a certificate of temporary business registration shall be issued.

Article 21. A business registration certificate shall be valid for the

period specified in the contract.

Article 22. The contractor shall be a corporate body of the DPRK from the day on which it has made temporary business registration.

Article 23. Where a contract is not implemented within the valid period of temporary business registration, the contractor shall apply to the business registrar for its extension within the ranges of 6 months.

Article 24. The contractor shall, within 10 days from its temporary business registration, go through necessary procedures required by the taxation institution and customs office.

Article 25. The owner and contractor shall open accounts with a relevant bank in the Zone.

Article 26. The contractor shall, on a monthly basis, have a progress report confirmed by the owner and submit it to the Zone construction supervision organ. Upon completion of the project, the contractor shall submit the final financial report to the Zone taxation institution.

Article 27. The owner and constructor shall make a set amount of payment due to the State.

Article 28. Employment of foreign superintendent, technicians and skilled workers for special jobs in contract construction shall be approved, through the Zone construction supervision organ by the central trade guidance organ.

Article 29. Any foreign individual coming into the Zone for contract construction shall go through formalities for stay and residing therein, according to the law and regulations related to entry and stay of foreign nationals.

Article 30. Where underground installments, historical relics or remains are discovered in the course of contract construction, the work shall be suspended, pending for the instruction of the Zone construction supervision organ.

Article 31. The contractor shall take necessary measures for the protection of the people and environment surrounding the construction site.

Article 32. The contractor shall take out an insurance policy from a DPRK insurance company.

Chapter 3. Inspection and Takeover of the Completed Contract Construction Building Structure

Article 33. The contractor shall, upon completion of any contract construction project, conduct a comprehensive inspection over the building and send to the owner a notice of completion of the project concerned.

Article 34. The owner, upon receipt of the said notice, shall submit a written request to a relevant State construction supervision organ for final inspection over the building.

Article 35. The State construction supervision organs shall, within 15 days from receipt of such request, shall inspect the building and issue a certificate of final inspection, or otherwise, order a correction.

Article 36. The building structure shall be taken over, in principle, at a time upon completion of the project, or stage by stage, depending on the scope and characteristics of the project, as may be specified in the contract.

Article 37. The guarantee period for any structure built under contract shall be 1 year.

Compensation for any accident that occurs before expiry of the guarantee period shall be made by a party which has been proved to be responsible for it.

Article 38. The structure that has been built under contract shall be used from the day of take-over, after the final inspection.

Article 39. The owner shall clear all payments for the contract construction project within 30 days from take-over.

Chapter 4. Supervision over Contract Construction and Settlement of Disputes

Article 40. The State construction supervision organs shall exercise strict supervision and control over contract construction so as to prevent any possible deviation.

Article 41. In case of any breach of these regulations, such administrative punishment as fine, suspension of project and deportation shall be imposed depending on the severity of violation. Criminal charges shall be applicable to serious offenses.

Article 42. Any dispute in connection with contract construction shall be settled through consultation, or otherwise, through arbitration or civil proceedings effective in the DPRK.

REGULATIONS ON FORWARDING AGENCY IN THE RASON ECONOMIC AND TRADE ZONE

Adopted by Decision No. 27 of the Cabinet on March 21, 1999

Article 1. These regulations are formulated to offer convenience to the shippers who carry the cargoes of a foreign country to a third country via the Rason economic and trade zone, and ensure proper transportation of transit cargoes.

Article 2. Forwarding agent's activities for foreign shippers (hereinafter called the agent's activities) shall include acceptance, dispatch, arrangements for handling and storage, customs clearance, inspection and quarantine, settlement of costs, dealing with mishaps, arrangement of transport and the like, for transit cargoes on the foreign shipper's consignment.

Article 3. An external transportation organ in the Rason economic and trade zone (hereinafter called the Zone) may open forwarding agencies for foreign shippers (hereinafter called the forwarding agencies) at cross-border transit points in the Zone, sea ports and airports, and engage in agent's activities.

Article 4. A uniform control and guidance over agent's activities shall be undertaken by the City People's -Committee in the Zone (hereinafter called the Zone Administration).

Article 5. These regulation shall be applied to forwarding agencies and foreign shippers.

Article 6. An organ intending to open a forwarding agency shall file an application for that purpose to the body that screens the establishment of an enterprise (hereinafter called the screening body).

The application for the opening of the forwarding agency shall specify such particulars as name of the applicant and forwarding agency, domicile, motive of establishment and details of agents activities, and shall be accompanied by a letter of intent from a foreign shipper for the said activities.

Article 7. Screening body shall review and approve or reject the application for the opening of the forwarding agency within 30 days from receipt of the application.

Upon approval, a document of approval shall be issued of the establishment of the forwarding agency.

Article 8. A forwarding agency shall be registered with the Zone Administration.

For registration of the forwarding agency, an application shall be tendered for that purpose.

The application shall specify such details as name and domicile of the forwarding agency, name of the chief and the number of staff, etc., and shall be accompanied by a copy of the letter of approval of the opening of the forwarding agency.

Article 9. The Zone Administration shall examine the application for such registration within 10 days from its receipt and issue a certificate of registration of the forwarding agency or reject its registration.

When the registration of the forwarding agency has been completed, a fixed commission shall be allowed on its service.

Article 10. A forwarding agency shall conclude an agent's contract with the foreign shipper.

The agent's contract shall provide for names of the contracting parties, date of the contract, the details of agent's activities, obligations of the foreign shipper, obligations of the forwarding agency, ways of transshipment of cargoes, costs and ways of their settlement, delivery of documents and ways of communication, ways of dealing with mishaps, sanctions, settlement of dispute, term of contract and other relevant particulars.

Article 11. Where a forwarding agency intends to transship cargoes by any appropriate means of transportation, it shall be notified by the shipper of such details as are necessary for filling in the bill of lading or the invoice 5 days before transshipment.

Article 12. A forwarding agency shall enter into relevant contracts with the cargo handler, the storekeeper and the carrier.

The said contract shall provide for the following:

1. A contract with the cargo handler shall include description and quantity of cargo, types of cargo-handling jobs, types of packing, unit weight, name of transportation means, estimated date of arrival, dates and hours for commencement and completion of work, cargo-handling costs, handling precautions and other necessary provisions,

2. A contract with the storekeeper shall include a description and quantity of the cargo, types of packing, unit weight, date of arrival, period of storage, cost for storage, precautions and other necessary provisions, and

3. A contract with the carrier shall include a description and quantity of the cargo types of packing, unit weight, unit capacity (volume), places of origin and destination, pass-through points, the consignor and the consignee, the types and the required number for each type of the transportation means, the period of transport, cost, precautions and other necessary provisions.

Article 13. A written request or declaration relating to cargo-handling jobs, storage and transportation submitted by the forwarding agency may substitute the contract, subject to consultation with the cargo handler, storekeeper and the carrier.

Article 14. Where a forwarding agency intends to forward any transit cargo by rail or by air, it shall submit a monthly document of request for carriage to the railway carrier and a declaration of the transit cargo to the airport, in each case by the 20th day of the month preceding the one in which transport is to be started.

Article 15. Where a foreign shipper intends to send transit cargo by his own vehicles, he shall obtain a Zone-crossing card and vehicle pass either

directly or through the forwarding agency 5 days prior to the crossing of the border.

Article 16. Such cargoes as are inadmissible to the territory of the DPRK or prohibited internationally shall not be transshipped.

Article 17. Upon arrival of the cargo at a given transit point, a forwarding agency shall receive a way-bill from the carrier, confirm the state of the load, place the cargo under custody of the storekeeper, and have a certificate of storage.

Article 18. Where a forwarding agency intends to forward a cargo, which has been placed under custody, to any foreign shipper, it shall take over the cargo by submitting to the storekeeper the certificate of storage and the delivery request cleared by the customs.

Article 19. A forwarding agency shall receive such necessary documents as the bill of lading or the invoice from the carrier as soon as the loading work is over, and deliver them to the foreign shipper.

Article 20. The quantity of transit cargo loaded or unloaded shall be as tallied by the relevant organ of the DPRK.'

Article 21. In the event that any mishap occurs in relation to the transit cargo, the forwarding agency shall send a prompt notice to the foreign shipper.

The foreign shipper shall, as soon as possible, notify the forwarding agency of his instructions as to the appropriate measures for mishap handling.

Article 22. A forwarding agency shall prepare the statement about the mishap of transit cargo and send it to the foreign shipper together with the support document issued by a relevant organ.

Article 23. Any transit cargo in excess of the quantity stated in the document shall be disposed of by the forwarding agency, subject to consultation with the foreign shipper and the approval of the customs.

Article 24. A forwarding agency may get the transit cargo inspected and quarantined by the relevant organ at the request of the foreign shipper.

The inspection and quarantine shall be done at the place of loading or unloading.

Upon quarantine inspection of the transit cargo, the organ concerned shall issue the relevant document.

Article 25. A forwarding agency shall promptly notify the foreign shipper of any issue arisen in the course of inspection and quarantine.

Article 26. Settlement of the cost of cargo handling shall be made between the organ concerned and the forwarding agency.

Upon settlement of such cost with the organ concerned, the forwarding agency shall prepare and send a bill to the foreign shipper.

Article 27. The rate of fee and the norm of labour concerning the handling of transit cargo shall be determined by the relevant organ.

Article 28. Fees concerning the handling of transit cargo shall be calculated in Korean *won*.

Foreign currency shall be converted into Korean *won*, subject to the

exchange rate quoted by the foreign exchange bank of the DPRK in the Zone based on the international price of the said currency prevailing at the given period of time.

Article 29. The foreign shipper shall pay to the forwarding agency such fees for transport and handling of transit cargo as are prescribed in the agent's contract.

Article 30. Any dispute arising in connection with the agent's activities shall be settled between the parties concerned through consultation.

Any disagreement in consultation shall be referred to a court or an arbitration body of the DPRK for settlement.

Article 31. In case of violation of these regulations, administrative penalties including fine shall be imposed to the extent of breach, and criminal punishment in case of severe breach.

REGULATIONS ON STATISTICS IN THE RASON ECONOMIC AND TRADE ZONE

Adopted by Decision No. 19 of the Cabinet on March 6, 1999

Chapter 1. General

Article 1. These regulations are formulated with a view to taking proper statistics on social and economic situations and establishing proper order in management and use of statistical data in the Rason economic and trade zone.

Article 2. Statistics give comprehensive and quantitative reflection of the social and economic situations and the results of work, and are means of understanding the social and economic phenomena and undertaking practical activities on a planned basis. Statistics shall include data with respect to the level of economic and cultural development, information related to natural resources, population and livelihood and so on.

Article 3. The statistical work of the organs, enterprises and associations of the DPRK (hereinafter called the organs and enterprises) and the foreign-invested enterprises within the Rason economic and trade zone (hereinafter called the Zone) shall follow these regulations.

Article 4. The organs and enterprises and the foreign-invested enterprises shall ensure scientific accuracy, objectivity and timeliness of the statistics.

Article 5. Supervision and guidance of the statistical work within the Zone shall be conducted by the Zone statistics body under a unified guidance of the central statistics body.

The Zone statistics body shall exercise control and direction over the statistical affairs in conformity with the social and economic situations in the Zone.

Article 6. The initial calculation units of statistics shall be the organs and enterprises and the foreign-invested enterprises in the Zone. Full-or part-time statisticians shall be employed in such initial calculation units of statistics.

Article 7. The statistical data relating to the economic activities in the Zone shall be compiled on the basis of the gross product of the Zone.

Article 8. The statistical work in the Zone shall be done in conformity with statistical methodology made by the central statistics body. Such a statistical methodology shall be constantly improved in accordance with the features of the Zone.

Article 9. The statistical documents shall be prepared in the Korean language. Translation into a foreign language may be given under each item expressed in the Korean language.

Chapter 2. Compilation of Statistics

Article 10. Taking the statistics in a proper manner is essential to achieving a success in statistical work. The Zone statistics body, organs and enterprises and the foreign-invested enterprises shall be responsible for undertaking the statistical work.

Article 11. The statistics shall be gathered in both ways of statistical report and research. The statistical reports shall comprise monthly, quarterly, half-yearly, seasonal and annual reports and the statistical research shall comprise simultaneous research, research as a whole, selective research and single research.

Article 12. The statistics shall be taken according to the procedures, methods and indices prescribed by the central statistics body. Such procedures, methods and indices prescribed by the central statistics body shall not be modified wilfully.

Article 13. The statistics data with respect to business activities shall be compiled through statistical report and those relating to social and economic situations, population, livelihood and prices shall be gathered through statistical research.

Article 14. The Zone statistics body shall directly get the statistical data relating to the natural calamities and accidents.

Article 15. The Zone statistics body may require the organs and enterprises and the foreign-invested enterprises to provide necessary statistical data. The organs and enterprises and the foreign-invested enterprises shall furnish the statistical data required by the Zone statistics body within the period fixed.

Article 16. Statistics other than the prescribed statistical indices shall be gathered only subject to approval of the Zone statistics body.

Article 17. The organs and enterprises and the foreign-invested enterprises shall send the statistics taken by them to the Zone statistics body and the superior bodies concerned.

Any of the statistics other than those on the prescribed indices shall be produced only to a body concerned.

Article 18. The statistical data shall be made in writing. The statistics may be taken also by means of the telecommunications facilities.

Article 19. The organs and enterprises and the foreign-invested enterprises shall not modify of their own accord the statistics already submitted to the Zone statistics body and the superior bodies concerned.

Article 20. The organs and enterprises and the foreign-invested enterprises shall inform the Zone statistics body of their registration of business within 10 days therefrom.

Chapter 3. Initial Calculation of Statistics

Article 21. Properly making the initial calculation of statistics is prerequisite to getting correct statistics.

The organs and enterprises and the foreign-invested enterprises shall determine units, objects and methods for initial calculation of statistics in an appropriate way and properly conduct the work of measuring and surveying.

Article 22. Initial calculation of statistics shall be made in conformity with standardized form of initial calculation. Such a standardized form of initial calculation shall be determined by the Zone statistics body. The organs enterprises and the foreign-invested enterprises shall make initial calculation based on standardized form of initial calculation according to their specific situations.

Article 23. Unity of indices for the initial calculation of statistics and uniformity of the methods of calculation shall be ensured by the organs and enterprises and the foreign-invested enterprises.

Article 24. The gross product of the Zone shall be calculated in the form of output value plus service revenue.

Article 25. The results of investment shall be calculated by the amount actually invested into the Zone.

Article 26. Actual output shall be calculated by multiplying actual sale prices by the quantities of sale of each product produced and sold.

Article 27. Actual revenue from service shall be calculated by the actual amount of receipts earned after offering various services.

Article 28. The amounts of exports shall be calculated by using the delivery prices and the quantities of each commodity exported across the customs boundary outside the Zone; and the amounts of imports shall be calculated by using CIF (cost, insurance and freights) price and the quantities of each commodity imported into the Zone.

Article 29. The turnover shall be calculated by actual receipts earned after the sale of goods.

Article 30. The results of tax payment shall be calculated by the amounts actually paid on the incomes such as enterprise income and personal income.

Article 31. The results relating to the initial calculation of statistics shall be regarded as those made from 00:00 hours of the first day to 24:00 hours of the last day of the corresponding period of statistics.

Article 32. The currency unit of statistical calculation shall be Korean *Won*. The exchange rate of foreign currency against Korean *won* shall be pursuant to the one set for the current period by the foreign exchange control body.

Article 33. At the stage of the initial calculation of statistics, the organs and the foreign-invested enterprises shall not make any false statistical data nor shall they get the statistical data without measurement or survey.

Chapter 4. Management and Use of the Statistical Data

Article 34. The statistical data shall be treated as secret documents. The Zone statistics body, organs and enterprises and the foreign-invested enterprises shall establish a strict system and order of managing and utilizing the statistical data in order to keep them confidential.

Article 35. The Zone statistics body, organs and enterprises and the foreign-invested enterprises shall register the statistics taken in good time and keep those until the time fixed. The period of keeping the statistical data shall be fixed by the central statistics body.

Article 36. The Zone statistics body shall systematically synthesize and categorize the statistical data by the sector and year. The statistical data synthesized and categorized shall be sent to a relevant document control body.

Article 37. Any statistical data kept by the Zone statistics body may be available for reading. In case of reading such statistical data of the Zone statistics body, an application for reading stating the purpose and statistical indices to be read as well as the position and name of the applicant shall be produced to and approved by the Zone statistics body. The statistical data shall be read, abstracted or copied only at a designated place and, thereafter, such extracts or copies shall be used only for the purpose approved.

Article 38. Any of the organs and enterprises or any foreign-invested enterprises shall not disclose any of their statistical data to other organs and enterprises and foreign-invested businesses or individuals.

Article 39. Any of the statistical data relating to the organs and enterprises or the foreign-invested enterprises shall not be disclosed without consent. Disclosure of the statistical data of an organ and enterprise or a foreign-invested enterprise shall be agreed on by the organ and enterprise or foreign-invested enterprise concerned.

Article 40. The statistical data on the labour and natural resources within the Zone and the gross product of the Zone shall be disclosed only after consent is given from the central statistics body.

Article 41. The organs and enterprises and the foreign-invested enterprises shall analyze the statistical data and improve their productive and operational activities accordingly.

Article 42. The Zone statistics body shall make a comprehensive analysis of such things as the state of development and investment in the Zone and the information on social, economic and cultural development inside the Zone, and shall report them to the central statistics body.

Chapter 5. Supervision and Control

Article 43. The Zone statistics body shall supervise and control the organs and enterprises and the foreign-invested enterprises to strictly observe

these regulations.

Article 44. Assessment of the implementation of national economic plan of each organ and enterprise shall be done by the Zone statistics body.

The organs and enterprises shall submit the monthly statistics on the implementation of the plan to the Zone statistics body within the period fixed. The Zone statistics body shall make an on-the-spot survey to give an objective and correct examination and confirmation on the implementation of the plan.

Article 45. The Zone planning body shall hand over to the Zone statistics body a copy of national economic plan it sent to the organs and enterprises.

The organs and enterprises shall register with the zone statistics body the central plan, the Zone plan and the plan of individual enterprise according to the assessment cycle of the implementation of the plan and shall not be bound by any plan that was modified after the period for implementation of the plan is over.

Article 46. The Zone statistics body may inspect statistical data and products of the organs and enterprises and foreign-invested enterprises. In this case the organs, enterprises and foreign-invested enterprises shall provide it with all the conditions required.

Article 47. In case of violation of these regulations, confiscation, fining or other administrative sanctions shall be imposed according to the gravity of offense. And in case of severe violation criminal punishment shall be imposed.

REGULATIONS ON TOURISM IN THE RASON ECONOMIC AND TRADE ZONE

Adopted by Decision No. 33 of the Cabinet on April 29, 2000

Chapter 1. General

Article 1. These regulations are formulated to create favourable climate and conditions for tourism in the Rason economic and trade zone and to develop, through tourism, relations of friendship and cooperation with different countries of the world.

Article 2. Foreigners and overseas Korean compatriots (hereinafter called the tourists) shall be allowed to do sightseeing in the Rason economic and trade zone (hereinafter called the Zone).

Sightseeing tour in the Zone (hereinafter called tourism) shall include tours for the purposes of sightseeing, education, recuperation, study, recreation and so on.

Article 3. Tourism shall be conducted pursuant to an agreement on tourism concluded between the DPRK and a foreign country, or a tourist contract concluded between the tourist agency responsible for arranging sightseeing tours in the Rason economic and trade zone (hereinafter called the tourist agency of the Zone) and any tourist company, organ, enterprise or organization of a foreign country.

Article 4. Tourism shall be conducted on the principle of promoting understanding, cooperation and exchange with different countries, regions or individuals under the ideals of independence, peace and friendship.

Article 5. A tourist may travel to and from the Zone subject to a document of approval of the sightseeing tour issued by the tourist office of a diplomatic or consular mission of the DPRK in a foreign country or by the immigration office of the zone.

A document approving the sightseeing tour shall include a tourist certificate or some other equivalent document of proof.

Article 6. Personal safety of tourists shall be guaranteed by law of the DPRK.

A tourist may receive necessary services including the service for sightseeing tour, accommodation, medical care, etc.

Article 7. The State tourism administration body and the tourism administration body of the Zone shall improve cooperation and exchange in the field of tourism with different foreign countries, cooperative organizations at global and regional levels as well as other international organizations in step with the developing international trend of tourism.

Article 8. Organs, enterprises or associations of the DPRK (hereinafter called the organs and enterprises) and foreign-invested enterprises or foreign investors may engage themselves in developing tourist resorts and other

tourism-oriented projects or run a tourist service business in the Zone, through investment in the form of equity or contractual joint ventures.

Article 9. The tourism administration body of the Zone shall administer tourism in the Zone under the guidance of the State tourism administration body.

Chapter 2. Sightseeing Tour

Article 10. Sightseeing tour shall be arranged, in principle, in groups and only according to the tourist service schedule and the tourist course specified in the contract.

Article 11. A tourist intending to go on a sightseeing tour shall submit a written application for sightseeing tour to the tourist agency of the Zone through a tourist company in the place of his stay or through an organ, company or similar organization of the relevant country that arranges the sightseeing tour.

The application shall contain the applicant's name, sex, date of birth, citizenship, nationality, place of residence, employer, position, the type and number of passport, the period and place of the sightseeing tour, the place where a tourist certificate is to be issued (name of the country or the mission) and so on.

Article 12. The tourist agency of the Zone shall review and decide whether to approve or reject an application for sightseeing tour, and notify the applicant of the result.

Article 13. The tourism administration body, the tourist agency and the tourist service units (businesses operating hotels, restaurants, transportation means, objects of sightseeing, shops, recreational facilities, etc.) in the Zone shall ensure full protection of the life and property of the tourists.

Article 14. A tourist, in accordance with the order established, may hold discussions or enter into contract with a relevant organ and enterprise, a foreign-invested enterprise, or a foreign individual on matters arising in connection with the development of the Zone, investment, establishment and operation of a business, and scientific and technical exchange.

Article 15. A tourist shall strictly observe the laws, regulations and public order of the DPRK, respect the etiquette, morality and customs of the local inhabitants during his stay for sightseeing tour, and shall not abuse a sightseeing tour for any undesirable purpose.

Article 16. A tourist shall refrain from committing any act which may do harm to tourist resorts and resources or pollute the environment for tourism.

Chapter 3. Tourist Services and Charges

Article 17. Tourist services shall be provided by the tourist agency of the Zone and the tourist service units in the zone.

Article 18. The tourist agency of the Zone shall conclude a contract with a tourist service unit in the Zone and arrange relevant tourist service thereunder; and the tourist service unit in the Zone shall provide the relevant tourist service according to the contract.

Article 19. Where a foreigner requests an individual service related to the sightseeing tour, the tourist service unit in the zone shall conclude a contract with him according to the specified tourist service standards and provide the relevant individual service.

Article 20. The tourist agency of the Zone and the tourist service units in the Zone shall keep the tourist service facilities and equipment in good condition to meet the demand for tourism and raise the service level.

A tourist may demand that tourist services be provided consistent with the provisions specified in the contract.

Article 21. Where a foreigner or an overseas Korean compatriot who has come to visit the Zone for a purpose other than sightseeing files an application for sightseeing tour to the tourist agency of the Zone, the agency may make arrangements for the tourist service to be provided.

Article 22. In any emergency where a tourist's life is threatened, the tourist agency of the Zone and the tourist service units in the Zone shall take necessary first-aid measures.

The expenses incurred for the treatment of the patient shall be settled through mutual agreement between the parties concerned.

Article 23. Tourist charges shall be determined pursuant to the standard charges set by the State pricing organ and shall be paid before the tourist's entry into the DPRK.

Where necessary, tourist charges may be paid at the pilot point.

Article 24. Where the tourist agency of the Zone concludes a service contract with the tourist service unit in the Zone, the former shall pay the relevant service fees under the said contract.

Chapter 4. Administration of Tourism

Article 25. The tourism administration body of the Zone shall be responsible for the formulation and implementation of the tourism development plan for the zone, survey of demand for tourism, external promotion of tourism, adjustment of and supervision over tourist services, granting of agreements or approvals related to tourist services, training of staff for tourist services as well as for carrying out other activities related with tourism.

Article 26. The tourism administration body of the Zone shall be responsible for the examination of the qualifications of tourist service staff according to the guidelines for the examination of qualifications of tourist guides and interpreters and the guidelines for the external services sent down by the State tourism administration body and the external service agency, in

conformity with the specific conditions of the Zone.

Article 27. The tourist agency of the Zone shall arrange tourist services such as the preparation of tourist schedules, external promotion, conclusion of tourist service contracts, acceptance and guidance of tourists and organization of tourist services, and shall submit a monthly report to the tourism administration body of the Zone on the provision of tourist services.

Article 28. The tourist service units in the Zone shall organize tourist services with staff having the relevant qualifications.

Article 29. The tourist service unit in the Zone shall organize tourist services as specified in the tourist service standards and any additional services, and report on a monthly basis to the tourism administration body of the Zone on the revenue from such services, on the utilization of service facilities and so on.

Chapter 5. Development of Tourism

Article 30. Tourism-related development in the Zone shall be undertaken according to the general land development plan and the tourist service development plan of the Zone.

The tourist service development plan shall cover the development of markets for tourism, and the training and retraining of refresher courses service staff.

Article 31. The tourism administration body of the Zone shall prepare and implement a comprehensive tourism development plan.

Article 32. Any person or organization intending to invest in a tourism-related development project or publicize an object of tourism-related development shall reach an agreement to that effect with the tourism administration body of the Zone.

Objects of tourism-related development shall include historical sites, natural resorts for sightseeing, entertainment and recreational facilities, ground and marine pleasure facilities, treatment and rest facilities, consultation facilities, accommodation facilities and so on.

Article 33. Where an object of tourism is developed, the urbanization and contamination of the tourist resort shall be prevented and the revolutionary sites, scenic spots and historical sites shall be protected.

Article 34. No tourist development shall be undertaken that is unsound ideologically and culturally or that goes against the good manners and customs.

Article 35. The tourism administration body of the Zone may create and use a tourist development fund for the Zone.

Chapter 6. Settlement of Disputes and Sanctions

Article 36. Any dispute in connection with tourism-related activities in the Zone shall be settled through consultation.

Any dispute which cannot be solved through consultation shall be settled by a court or an arbitration organ of the DPRK.

Article 37. In the event that the tourist agency of the Zone or a tourist service unit in the Zone fails to provide tourist services consistent with the provisions of the contract, it shall be liable to pay a due penalty.

Article 38. In case of an offence against these regulations, the offender shall be required to restore the object in question to its original state or compensate for the loss, or fines or other sanctions shall be imposed, depending on the extent of such offence. If any such offence proves serious, the offender shall be subjected to criminal punishment.

REGULATIONS ON FINANCIAL MANAGEMENT OF FOREIGN- INVESTED ENTERPRISES IN THE RASON ECONOMIC AND TRADE ZONE

Adopted by Decision No. 35 of the Cabinet on May 13, 2000

Chapter 1. General

Article 1. These regulations are intended to establish the order of financial management for foreign-invested enterprises to be set up and operated in the Rason economic and trade zone.

Article 2. Financial management is the economic management activity for independent procurement and rational use of property and currency needed for business activities according to the plans of the enterprises.

Article 3. Foreign-invested enterprises comprise the contractual joint-venture enterprises, equity joint-venture enterprises and wholly foreign-owned enterprises in the Rason economic and trade zone (hereinafter called the Zone).

Article 4. The foreign-invested enterprises shall conduct their financial management in accordance with these regulations. The foreign enterprises in the Zone may also conduct their financial management according to these regulations.

Article 5. The foreign-invested enterprises shall carry on their business by opening domestic and foreign currency accounts with the foreign exchange bank of the DPRK in the Zone.

When opening an account with a foreign bank, the foreign-invested enterprise shall have agreement with the institution that manages foreign currency.

Article 6. The foreign-invested enterprise shall manage its finances on the principle of disbursing funds and paying taxes and other money in accordance with its financial plan, and ensuring the rights and interests of its investors.

Article 7. In case there is such a change affecting financial management as business amalgamation, division or bankruptcy, the foreign-invested enterprise shall follow the procedure needed for the change.

Article 8. The accounting of the foreign-invested enterprise shall be conducted in accordance with the laws and regulations for the accounting of the foreign-invested enterprises and the foreign-invested banks and in accordance with the forms defined by the central financial institution or by the central banking institution.

Article 9. The financial institution of the Zone shall establish a correct accounting system for the foreign-invested enterprises

Article 10. Accounting shall be documented in the Korean language.

In case it is documented in a foreign language, its Korean translation shall be attached to it.

Article 11. The accounting documents shall be kept in accordance with the laws and regulations of the State.

In case of business amalgamation, division or bankruptcy, these documents shall be preserved by agreement with the financial institution of the Zone.

Article 12. The financial management of the foreign-invested enterprises shall be controlled and directed by the financial institution of the Zone under the guidance of the central financial institution.

Chapter 2. Procurement of Capital

Article 13. Capital is an asset for business activities

The capital of a foreign-invested enterprise includes the contributions of the investors, the money that has been increased through business operation, and the loaned capital.

Article 14. The investors' contributions make up the registered capital of the enterprise, and loans are the money borrowed from outside by the foreign-invested enterprise.

Article 15. The composition and size of the registered capital shall accord with the provisions of the document that approves the establishment of the foreign-invested enterprise.

Article 16. Capital needed for the establishment and operation of a foreign-invested enterprise shall be disbursed basically from its registered capital.

Article 17. Registered capital may be contributed in the form of currency, property in kind, property rights, and technical know-how needed for the operation preparation and regular business operation according to the contract. The contribution of property rights shall not exceed 20 per cent of the registered capital of the enterprise.

Article 18. Registered capital shall be contributed within the time limit defined by the document that approves the establishment of the enterprise.

Article 19. The registered capital of a foreign-invested enterprise may be increased by agreement between contracting parties, but shall not be reduced.

Article 20. Property contributed by the investors shall be recognized as the assets of the foreign-invested enterprise only in the following cases:

1. When the money has been deposited in or remitted to the account of the bank with which the foreign-invested enterprise has transactions,
2. When the procedure for the transfer of the ownership of fixed property or the right to use it to the relevant institution has been finished,
3. When the property in kind other than fixed property has been brought into the compound of the foreign-invested enterprise and the procedure for the transfer of its ownership or the right to use it has been

finished,

4. When the certificate of the ownership of property rights has been transferred to the management of the foreign-invested enterprise, and

5. When the conditions for the transfer of technical know-how as stipulated by the contract have been fulfilled.

Article 21. Property in kind and property rights that are contributed shall be priced by agreement among the investors in accordance with the international market prices.

Article 22. An investor of the foreign-invested enterprise may transfer or pass over inherit once all or part of his share of investment to a third party.

Such transfer or inheritance shall be verified by a certified public accountants' office.

Article 23. Property that is contributed to the registered capital of the foreign-invested enterprise shall be verified by a certified public accountants' office.

Property that has not been verified by the accountants' office shall not be recognized as registered capital.

Article 24. The capital of the foreign-invested enterprises shall not be nationalized or confiscated by the Zone.

Article 25. Foreign-invested enterprises shall redeem their loaned capital by the fixed date. Loaned capital which has not been redeemed due to unavoidable circumstances (only when the creditor has disappeared or when it is impossible to find him out) shall be treated as a business income.

Chapter 3. Financial Plan

Article 26. The foreign-invested enterprise shall draft its financial plan and discuss and decide on it at the board of directors or at the joint consultative board (hereinafter called the board of directors).

Article 27. The foreign-invested enterprise may set the period of operation preparation by agreement with the business-licensing organ.

During operation preparation, only the local taxes shall be paid.

Article 28. The financial plan for the period of operation preparation shall budget only the expenses for operation preparation.

The expenditure for operation preparation shall include overheads, the expenses for equipment assembly, construction and maintenance costs of buildings, rents of leased buildings, sample production costs, skilled-worker training costs and the like.

Article 29. The financial plan (a yearly plan with quarterly sections) shall include different sectors such as industry, agriculture, construction, transport, communications, commerce, foreign trade and public catering.

Article 30. The financial plan shall specify the items such as the plan of capital, the sales (service) revenue plan, the plan of costs (distribution cost, operation cost), the plan of fixed property depreciation money, the plan of

profits and their division, and the plan of payments to the State.

Article 31. The financial plan shall be drawn up as follows:

1. The plan of capital shall budget the contributed or loaned assets by their types to be spent only on the approved categories of business,

2. The sales (service) revenue plan (hereinafter called the sales revenue plan) shall estimate the incomes from the number and quantity of the items to be sold (or served) during the planned period according to their unit price in the international market.

The sales revenue plan shall estimate the incomes from the sales in industry, from the delivery of finished structures in the construction industry, and from the services (transport fees, communications fees, reward for work done, service charges, processing fees, and other charges),

3. The plan of costs shall be drawn up to be subdivided into production costs, distribution costs, and operation costs in accordance with the production plan,

4. The plan of fixed property depreciation money shall be made to be subdivided into the plan of accumulation and the plan of its use.

The accumulation plan shall be made according to the method of depreciation, and the plan of its use shall be drawn up based on the source of the accumulated depreciation money,

5. The plan of profits and their division shall be drawn up to be subdivided into the plan of profits-making, the plan of settled profits, and the plan of profit division.

Profit making shall be planned with the estimated sales incomes minus costs, the settled profits shall be planned with the planned profits minus the turnover tax and other expenditure, and the division of the profits shall be planned with the estimated settled profits minus the enterprise income tax and the funds of the enterprise to be reserved. The foreign-invested enterprise which is to divide its profits shall plan their division in accordance with the proportion of contribution or the rate defined by the contract,

6. The plan of payment to the State shall estimate the enterprise income tax, turnover tax and local taxes, the money for cultural work and social welfare, the premium for social insurance, commission and rents for leased lands, which are to be paid to the State as defined by the State, and

7. The floating funds shall be planned to be subdivided into the plan of the standard of holding funds and the plan of sources.

The standard of holding funds shall be planned by the element of disbursement such as stored goods, unfinished goods, finished goods, and unpaid goods and by the method of multiplying the sum of a single day's disbursement by the number of holding days by different sectors such as industry, agriculture, construction, transport, commerce, foreign trade and catering.

The plan of the sources of floating funds shall drawn up to be ensured by the investors' contributions, loaned business funds, the enterprise's own

funds, and constant debts.

The constant debts shall estimate the wages to be paid, the fixed property depreciation money, the taxes to be paid to the State, the profits to be divided, and the liabilities related to dealing with goods.

Article 32. The foreign-invested enterprise shall register its financial plan for the next year with the financial institution of the Zone by the 25th of December of the current year.

Article 33. An amendment to the financial plan shall be made by agreement with the financial institution of the Zone and shall be registered with the institution.

Chapter 4. Floating Assets

Article 34. Floating assets are the assets which are spent up for one cycle of production and transfer their values to the new products.

The floating assets include the assets in kind such as raw and other materials, fuel, containers, packing materials, small tools, unfinished goods, semi-finished goods and finished goods as well as currency such as cash and deposited money.

Article 35. The foreign-invested enterprise shall establish the system of managing cash and deposits. Cash shall be deposited in the bank.

Article 36. The foreign-invested enterprise shall include in its expenditure the commission for the settlement of its cheque money, other losses in credits and the losses due to the change in the rate of foreign exchange.

Article 37. To get loans the foreign-invested enterprise shall submit the document on the security of repayment to its bank.

Article 38. The foreign-invested enterprise may get loans on condition that it has obtained business licence after the investors have contributed their shares of investment according to the contract.

Article 39. The products obtained through hired processing shall be priced by the total expenditure for the purchase of the raw materials, semi-finished goods and parts for hired processing plus the costs of their loading and unloading, their transport fees and processing fees.

Article 40. The prices of the invested floating assets shall be valid only when they have been priced by agreement of the investors in accordance with the international market prices at the time and have been verified by a certified public accountants' office.

Article 41. The foreign-invested enterprise shall take an inventory of its floating assets every month. In case the result of the investigation shows surplus or deficit of the floating assets, the enterprise shall clarify the cause and take necessary measures.

Article 42. The foreign-invested enterprise may evaluate and re-evaluate its floating assets when necessary.

Their evaluated or re-evaluated prices shall be verified by a certified public accountants' office.

Chapter 5. Fixed Property

Article 43. Fixed property is property which is used at least one year and has the initial value of at least 37,500 won.

Fixed property includes fixed property which has been contributed by investors, which has been procured with the funds of the enterprise, and which has been obtained by transfer.

Article 44. The foreign-invested enterprise shall manage its fixed property by registering it in the ledger by its types.

The ledger for the registration of fixed property shall keep the record of the date and number of registration of fixed property, its name, size, initial value, expected duration of its use, the place of its installation, the date and place of its production, and the date of its procurement.

Article 45. The foreign-invested enterprise shall register its fixed property with the financial institution of the Zone within 1 month from the date of its procurement.

Article 46. Classification of the fixed property, calculation of its value, calculation and accumulation of the fixed property depreciation money, and its use shall be subject to the laws and regulations on the fixed property depreciation money of the foreign-invested enterprises.

Article 47. The foreign-invested enterprise shall take an inventory of its fixed property and re-evaluate it at least once a year.

If the result of inventory taking shows surplus or deficit of fixed property, the enterprise shall clarify the cause and take relevant measures.

Article 48. The foreign-invested enterprise may abandon, transfer or mortgage its registered fixed property by decision of the board of directors.

The piece of fixed property which has been abandoned, transferred, mortgaged or re-evaluated shall be verified by a certified public accountants' office, and the change shall be registered with the fixed property registration institution.

Chapter 6. Production Expenses

Article 49. The foreign-invested enterprise shall calculate production expenses.

The production expenses shall include the production cost and other expenses. The cost for hired processing may be included in the production expenses.

Article 50. The production costs include the following items:

1. The industrial production costs;

The industrial production costs include the costs for raw and other

materials, fuel, power, expenses for purchase, the cost for the development of new product, wages, the premium for social insurance, the fixed property depreciation money, workshop and enterprise overheads, sales cost, and the premium for property insurance,

2. The agricultural production costs;

Agricultural production costs include wages, the premium for social insurance, cost for seeds (including eggs and tree seedlings), cost for fuel and power, cost for feed and stable bedding, cost for insecticide and herbicide, cost for anti-epidemic and veterinary medicines, cost for other materials, irrigation fees, the fixed property depreciation money, cost for the purchase of young domestic animals, expenses for the purchase of materials, expenses for the use of auxiliary branches, general expenses for work teams and other overheads, sales cost, and the premium for property insurance,

3. Construction costs;

Construction costs include the direct and indirect expenses such as expenses for materials and operation of building machines, wages, the premium for social insurance, and the fixed property depreciation money,

4. Transport costs;

The transport costs include the cost for operation materials, fuel and power, wages, the premium for social insurance, the fixed property depreciation money, general expenses, and the premium for property insurance, and

5. Distribution costs;

Distribution cost items include the expenses for the purchase and distribution of goods for the commercial and public catering sectors.

The distribution costs include expenses for transport, storage and packing, the expenses due to wearing down of containers and for their repair, and fuel and electricity for business, the expenses due to the natural decrease in materials and property, wages, the premium for social insurance, the expenses for processing and repair, commission for consignment sale, the expenses for the maintenance of buildings, the fees for the use of water works and illumination, expenses for furniture, the fixed property depreciation money, the expenses for office and communications, travel expenses, funds for trade unions, expenses for bus services to and from work, the premium for property insurance and other expenses.

Article 51. Other expenses include the expenses resulting from the situations that take place outside the normal business such as the losses due to the change in the rate of foreign exchange, and the failure to get its credit paid back because of the debtor's bankruptcy, the expenses for the re-processing and packing of the products that have not been sold because of the unavailability of the market, the expenses for the payment of various interests and for the obtaining of loans, and losses due to lowering of the prices of unsold goods.

Article 52. The foreign-invested enterprise shall redeem the expenses

for operation preparations that have been deferred to the next term of settlement, by including it in the production cost.

Article 53. The foreign-invested enterprise shall include the wages for its employees in the production cost, subtract the money for cultural work and social welfare from the sum, and then pay the remainder to the employees.

Article 54. The foreign-invested enterprises may disburse the expenses for public relations by including them in the production cost. The PR expenses include the expenses for the reception and dispatch of delegations, and entertainment expenses.

The criteria for the disbursement of PR expenses shall be fixed by the financial institution of the Zone by agreement with the central financial institution.

Article 55. The foreign-invested enterprise shall pay its premium for social insurance to the budget of the State.

Article 56. The criteria for the disbursement of PR expenses and the premium for social insurance shall be subject to the relevant laws and regulations or shall be fixed by the financial institution of the Zone by agreement with the relevant central institution.

Article 57. The construction funds which were disbursed before starting the business shall not be included in the expenses for operation preparations, but shall be accounted separately to be disposed of after the construction project is finished.

Article 58. The foreign-invested enterprise shall not include in its costs the property which is in the process of purchase or which is to be invested by contract.

Article 59. The foreign-invested enterprise shall not include in its costs the expenses such as for the meals served to its employees at dining halls in its compound and for their supply service, but shall disburse them from the funds for cultural work and welfare.

Article 60. The foreign-invested enterprise which has different accounts with its bank according to different kinds of convertible foreign currency shall

keep regular accounts of the difference due to changes in the rates of foreign exchange, and dispose of the losses by including them in the production cost.

Article 61. The foreign-invested enterprise shall supply the funds for the trade union organization by including them in its costs.

Article 62. The old-age pensions and the wages for seasonal labourers shall be calculated and paid by agreement with the financial institution of the Zone.

Chapter 7. Financial Incomes

Article 63. Financial incomes include the incomes from business

operations and from other sources.

Article 64. The incomes from the sale of sample products and the incomes from other sources that have been earned during operation preparations shall be made the source of funds for operation preparations, instead of being included in the incomes from sales.

Article 65. Financial incomes which are earned in connection with the export and import of fixed property, floating property and technology needed for production and business activities shall be priced by agreement in accordance with the international market prices, fees and transport fees.

Article 66. The criteria of commissions to be paid in connection with the foreign-invested enterprises and foreigners shall be defined by the financial institution of the Zone by agreement with the central financial institution.

Article 67. Financial incomes earned through processing for hire shall be calculated to be the processing fees that have been received from those who had ordered it.

Article 68. In case the foreign-invested enterprise exports the goods that have been bartered for its products in the Zone, the sales proceeds of the goods shall be made an item of its financial income, and the production cost shall be redeemed out of the sales proceeds.

Article 69. The turnover tax shall be calculated through the application of the tax rate fixed for the income from the sale of the taxable products or service (hereinafter called the sale).

Article 70. The foreign-invested enterprises shall make payments such as taxes and commissions to the State through the financial institution of the Zone.

Chapter 8. Financial Settlement and Profit Distribution

Article 71. The foreign-invested enterprises shall settle accounts quarterly and annually.

Article 72. The foreign-invested enterprise shall turn in the document of its quarterly settlement of accounts to the financial institution of the Zone by the 15th day of the month following the settled quarter of the year, and the document of its yearly settlement of accounts within February of the next year.

Article 73. The annual settlement of accounts of the foreign-invested enterprise shall be made at its board of directors.

Article 74. The documents of settlement of accounts of the foreign-invested enterprises shall be verified by a certified public accountants' office.

Article 75. The incomes of the foreign-invested enterprises shall be accounted for by separate items—the profits, settled profits, and profits to be distributed.

Article 76. A profit is the money that remains after deducting the costs from the sales income.

The foreign-invested enterprises shall account for the profits from

business operations separately from the profits earned from other sources.

Article 77. The foreign-invested enterprises shall determine their settled profits by deducting the turnover tax and other expenses, and confirm their profits to be distributed by subtracting the enterprise funds and their income taxes from the settled profits.

Article 78. The foreign-invested enterprise shall annually accumulate its reserve funds (as much as 5 per cent of its settled profits every year until an amount equivalent to 25 per cent of its registered capital is reserved).

The reserve funds may be used to make up for its business losses or to increase its registered capital.

Article 79. The foreign-invested enterprise may, in the following four consecutive years, compensate for the previous year's losses, which have not been made up for with the reserve funds, with the surplus profits after deducting its income tax from the year's settled profits.

Article 80. The foreign-invested enterprise may reserve its funds within the limit equivalent to 10 per cent of its profits for the expansion of production, and development of technology, for bonuses for its employees, for cultural work and welfare and for training, and use them by carrying them forward to coming years by the decision of the board of directors.

The reserve funds of foreign-invested enterprises may be used for the following purposes:

1. Expansion of production and development of technology;

Invention, contrivances, introduction of new technology, introduction of modern science and technology and advanced method of work, renewal of equipment,

2. Payment of bonuses;

Preferential treatment bonuses for workshops and work teams, bonuses for management officials and workers in indirect and auxiliary sectors, and bonuses for production competition,

3. Cultural work and welfare;

Construction, repair and renewal of hostels, dwellings, nurseries, kindergartens and dining halls, procurement of the instruments for cultural work and recreation, purchase of supplies for employees, and social support, and

4. Training;

Skilled-worker training, and the training of technicians.

Article 81. The foreign-invested enterprises shall use the profits to be divided for the payment of dividends to its investors or to redeem their shares of investment.

Article 82. The foreign investors may re-invest in the Zone part or all of their returned shares of investment and their dividends.

In case of the re-investment of their dividends in the Zone, the re-investors may be refunded part or all of the business income taxes for their shares of reinvestment.

Article 83. The contractual joint venture enterprise shall redeem the shares of investment made by foreign investors and pay their dividends basically with products, and, by contract, may redeem their shares of investment or pay their dividends with property other than products.

The products to be used for the redemption of the shares of investment or for the payment of the dividends shall be priced by agreement between the parties concerned in accordance with the international market prices.

Article 84. The foreign investors may send out of the territory of the DPRK tax-free the funds or products which they have received for the redemption of their shares of investment and as their dividends, and other lawful incomes.

Chapter 9. Financial Liquidation

Article 85. The foreign-invested enterprise shall liquidate its finances in case of its dissolution.

Article 86. The finances of the foreign-invested enterprise shall be liquidated by its liquidation committee.

Article 87. The duties and rights of the liquidation committee are as follows:

1. Convene the creditors' meeting and elect their representative,
2. Take over the property of the enterprise and its official seal and manage them,
3. Confirm the property of the enterprise as of the date of its dissolution,
4. Confirm credits and debts, draw up their lists, and discuss and decide on the method of dealing with them,
5. Draw up the list of financial state and the list of contents of property confirmed as of the date of dissolution,
6. Re-evaluate the value of the property of the enterprise and make the plan of liquidation,
7. Dispose of unsettled business,
8. Notify its bank, the taxation institution, the business registrar and the customs house of its dissolution,
9. Pay taxes, and then liquidate credits and debts and dispose of its remaining property,
10. Pay the liquidators' wages, travel expenses, office work expenses by including them in the liquidation expenses, and
11. Disposes of other problems arising in connection with the dissolution of the foreign-invested enterprise.

Article 88. Property for liquidation shall be disposed of in the order of the payment of the expenses for liquidation, remuneration for the labour of the employees, the money to be paid to the State, the secured debts and ordinary debts.

The remainder after the payment of these items shall be distributed

among the investors according to their shares of investment or shall be used to redeem their shares of investment.

Article 89. In case the enterprise is dissolved because of investors' failure to implement their duties defined by their contract, the responsible investors shall compensate for the losses.

Article 90. The liquidation committee shall draw up the report on the liquidation and submit it to the central trade guidance institution (or to the relevant court in case the liquidation was caused by bankruptcy) within 10 days from the date of the end of liquidation.

Article 91. When liquidation has been finished, the liquidation committee shall return the certificate of business registration, the business licence, and the certificate of tax registration to the respective institutions and close its account with the bank.

Chapter 10. Supervision and Control

Article 92. The financial institution of the Zone shall regularly supervise and control the financial management of the foreign-invested enterprises in the Zone.

Article 93. The financial institution of the Zone may summon persons or demand information and protocols needed in connection with the financial management of the foreign-invested enterprises in the Zone.

Article 94. Sanctions such as arrearage charge, fine and suspension of business shall be applied in cases of violation of these regulations in accordance with the seriousness of the cases, and serious cases shall be held responsible by the criminal law.

REGULATIONS ON FOREIGNER'S IMMIGRATION PROCEDURE AND STAY IN THE RASON ECONOMIC AND TRADE ZONE

Adopted by Decision No. 8 of the Cabinet on February 19, 2000

Article 1. These regulations are formulated to establish order with regard to the foreigner's immigration procedure and stay in the Rason economic and trade zone.

Article 2. Foreigner's immigration procedure and stay in the Rason economic and trade zone (hereinafter called the Zone) shall be subject to these regulations.

Koreans living abroad may also travel to and from the Zone or stay in the Zone in accordance with these regulations.

Matters not defined in these regulations shall be subject to the laws and regulations of the DPRK on foreigner's immigration procedure and stay.

If the regulations on foreigner's immigration procedure and stay in the Zone stipulated in the agreement concluded between the Government of the DPRK and a foreign government are different from these regulations, such an agreement shall be applied.

Article 3. The work with regard to the foreigner's immigration procedure and stay in the Zone shall be performed by the immigration institution of the Zone (hereinafter called the immigration institution) under the guidance of the central immigration institution.

Article 4. Foreigners who are travelling to and from the Zone or staying in the Zone shall carry ID document with them.

The said documents include passports issued by the relevant institutions of other countries and regions and by the international organizations, or relevant ID cards, as well as invitation cards, entry/exit permits, passes of vehicles, tourist certificates, visas, staying/resident certificates, traveller certificates and others issued by the relevant institutions of the DPRK.

Article 5. Traffic to and from the Zone shall be confined to such routes as defined by the State.

These routes include the railway stations on the border, roads across the border, trade ports, airports, point of access on the boundary of the Zone and so on.

Traffic to and from the Zone shall be allowed only in daytime. It is prohibited on Sunday or on a bank holiday (except for the traffic to and from the Zone by ship, plane or train or on an urgent business).

Article 6. Travel to and from the Zone and stay in the Zone is prohibited for an international terrorist, drug addict, drug smuggler, patient with contagious and infectious disease, insane person or other persona non grata.

Article 7. Where a foreigner is coming directly to the Zone without passing through any other parts of the DPRK, he may enter the Zone with no

visa provided that an invitation was extended to him by an institution, enterprise or organization of the DPRK, a foreign-invested enterprise, or a branch office or resident representative office of a foreign enterprise (hereinafter called the host institution).

In this case the host institution shall submit the list of visitors to the immigration institution by way of the foreign relations institution of the Zone (hereinafter called the foreign relations institution).

Article 8. A foreigner who is coming to the Zone via other parts of the DPRK shall have a visa issued by a diplomatic or consular mission of the DPRK in a foreign country.

Article 9. A foreign tourist with the tourist certificate of the DPRK or with a permit for tourism may enter the Zone without a visa.

The tourist certificate and permit for tourism are issued by the relevant institution of the DPRK and the diplomatic and consular missions and representative offices of tourism of the DPRK in foreign countries.

Article 10. Where a foreigner frequents the Zone, he may apply to the immigration institution for a pass of multiple entry (or a pass for a vehicle in case of using a vehicle).

The pass of multiple entry and the pass for a vehicle shall be valid for up to 30 days.

Article 11. Where a foreigner staying or residing in another part of the DPRK is entering the Zone, he shall submit to the relevant institution of the DPRK a document applying for an entry certificate (or a pass for a vehicle in case of using a vehicle).

Article 12. No visa is required for a foreigner who goes from the Zone directly to a foreign country without passing through any other part of the DPRK.

Article 13. A foreigner who has entered the Zone without a visa and then wishes to leave via other parts of the DPRK shall submit a relevant application to the immigration institution by way of the foreign relations institution 5 days before his exit and get a visa.

Article 14. Where a foreigner who has entered the Zone wishes to travel to or tour about other parts of the DPRK, he shall submit a relevant application to the immigration institution by way of the foreign relations institution 5 days in advance and get a traveller certificate or tourist certificate.

Article 15. A foreigner who wishes to transport by vehicle transit cargoes via other parts of the DPRK shall apply to the immigration institution for passes of both the person and the vehicle 5 days before transporting the goods.

Both passes shall be valid for up to 30 days. The foreigner who has these passes shall confine his traffic to the designated routes.

Article 16. Application shall be submitted to the immigration institution for extension of the term of entry/exit permit, traveller/tourist certificate, visa and pass of vehicle 5 days before their expiry.

Article 17. Entry/exit permit, pass of vehicle and traveller certificate shall be returned to the relevant institution of the DPRK within 5 days after their expiry.

Article 18. A foreigner may stay either for a short or a long period of time in the Zone.

A short-term stay is that of up to 90 days and a long-term stay is that of over 90 days.

Article 19. A foreigner who wishes to stay in the Zone shall submit an application for the registration of his stay to the immigration institution within the next day of his arrival. When he is leaving the Zone, he shall cancel the registration.

The application form shall include the applicant's name, sex, date of birth, citizenship, nationality, place of residence, occupation, host institution, lodgings, period and purpose of stay, and be accompanied by his passport or relevant document and a document of confirmation issued by the relevant institution of the DPRK with regard to his entry into and stay in the Zone.

Article 20. Registration of stay and cancellation of registration shall be done by the person concerned.

When unavoidable circumstances do not allow him to do so, the host institution or other person may undertake the matter instead.

Article 21. Free from registration for stay are a foreigner scheduled to leave the next day of his entrance into the Zone, a crewman of a foreign ship calling at the trade port in the Zone, a member of a foreign high-ranking delegation and a member of a foreign diplomatic mission and a mission of an international organization in the DPRK.

Article 22. A foreigner shall register for staying at the hotel or lodgings designated by the Zone Administration before taking up lodging there.

Article 23. A foreigner who wishes to extend the period of short-term stay shall make a document applying for the extension 2 days before the expiry of his stay and submit it for approval to the immigration institution by way of the foreign relations institution.

Approval shall be granted to the extension of the period of short-term stay for up to 3 months after his entrance.

Article 24. A foreigner who intends to stay for a long period shall get a staying or resident certificate.

A resident certificate shall be issued to the foreigner who is staying for a long period in connection with the management and operation of the foreign-invested enterprises established in the Zone.

Article 25. A foreigner who intends to get a staying or resident certificate shall hand in an application to the immigration institution by way of the foreign relations institution.

The application form shall state the applicant's name, sex, date of birth, citizenship, nationality, place of residence, occupation, the kind and number of passport, the period, place and reason of stay or residence and be accompanied

by 4 pieces of his photograph, a photocopy of his passport and a document of confirmation issued by the relevant institution of the DPRK.

Article 26. Staying or resident certificates are issued to foreigners over the age of 17 years.

The underaged shall be registered as a companion in the certificate of stay or residence of his parents or guardian.

Article 27. The staying certificate shall be valid for up to 6 months, and the resident certificate for up to 1 year.

For the extension of validity, an application shall be submitted to the immigration institution by way of the foreign relations institution 10 days before the expiry of the certificate.

The application shall include relevant details and be accompanied by the staying or resident certificate and the document of confirmation issued by the relevant institution of the DPRK.

Article 28. In case of birth of a child, death of the person concerned or his companion and change of job and staying or resident place, an application shall be submitted to the immigration institution by way of the foreign relations institution within 7 days of the event and undergo necessary procedure.

The application shall specify the relevant details and be accompanied by a confirmation document issued by the relevant institution of the DPRK.

Article 29. If a foreigner has damaged or lost the staying or resident certificate, he shall get the certificate reissued.

In such a case, he shall submit to the immigration institution a note of reason and 2 pieces of his photograph within 5 days after he has damaged or lost the certificate.

Article 30. When a foreigner is leaving the Zone for good after a long-term stay, he shall show the immigration institution a document confirming his payment of taxes and return his staying or resident certificate to the institution before following the relevant procedure.

Article 31. When a foreigner who has stayed long in the Zone returns to the Zone after travelling to other countries without passing through any other parts of the DPRK, he may take with him the valid staying or resident certificate.

Article 32. Fees prescribed by the financial institution in the Zone shall be paid for the issue of the entry/exit certificate, traveller/tourist certificate, visa, pass for vehicle and staying/resident certificate, the extension of their terms, registration of birth and death, and registration of change in job and domicile.

Article 33. Entry/exit certificate, traveller/tourist certificate, visa, pass for vehicle and staying/resident certificate to be reissued shall cost 10 times as much as the prescribed fee.

Article 34. If a person has violated these regulations, he shall face such administrative sanctions as confiscation of the certificate issued by the relevant

institution of the DPRK, fine, expulsion or prohibition of entry according to the extent of violation. If the violation proves serious, the person concerned shall face a criminal charge.

CUSTOMS REGULATIONS FOR THE RASON ECONOMIC AND TRADE ZONE

Adopted by Decision No. 52 of the Cabinet on September 23, 2000

Chapter 1. General

Article 1. The purpose of these regulations is to establish a customs order and preferential tariff system which are suitable for the management of the Rason economic and trade zone, and to protect the interests of the State.

Article 2. The customs houses in the Rason economic and trade zone (hereinafter called the Zone) shall be established at such places as the customs clearance points on the border of the Zone, and the bonded area, bonded factories, bonded warehouses and bonded exhibition (hereinafter called the bonded district), airports and post offices. The Zone border covers the external border, internal border and the port border.

Article 3. The customs houses of the Zone (hereinafter called the customs) shall deal with the customs clearance and inspection of the baggage, means of transport, postal matters and personal effects carried by the institutions, enterprises and organizations of the DPRK (hereinafter called the institutions and enterprises), foreign-invested enterprises and foreign enterprises (hereinafter called the foreign investment-business enterprises), resident representative offices of foreign enterprises (hereinafter called the resident offices), citizens of the DPRK and foreigners (hereinafter called the individuals), and shall control the storage, use, and the state of disposal of the goods brought into the Zone.

The institutions and enterprises, foreign investment-business enterprises, resident offices and individuals shall provide necessary conditions for customs work.

Article 4. The customs shall exercise strict control and supervision of such illegal cases as taking out or bringing in, or smuggling prohibited goods such as arms, drugs and other articles which are harmful to national security, social and moral life of the people, human life and growth of animals and plants.

The customs may investigate or examine documents related to the bringing in or taking out of goods and to the payment of customs duty, and may search places, means of transport and bodies of individuals under suspicion of smuggling.

Article 5. Customs registration and clearance, customs inspection and control and customs duty and other fees in the Zone shall be subject to these regulations.

Matter related to customs work which are not provided for in these regulations shall be subject to the customs laws and regulations of the DPRK or the Zone.

Article 6. These regulations shall be applied to the institutions and enterprises, foreign investment-business enterprises, resident offices and the individuals that wish to take out or bring in cargoes, transportation means, postal matter and personal effects.

Chapter 2. Custom Registration and Clearance

Article 7. Institutions and enterprises, foreign investment-business enterprises and resident offices in the Zone shall register themselves with the customs, appoint their respective customs declarer, and render cooperation to customs work.

Where the business of taking out or bringing in goods is not a routine duty, customs registration is unnecessary.

Article 8. Customs registration shall require submission of application for registration to customs.

Application for customs registration shall be accompanied by a copy of the certificate of business registration, an application for customs declarer and other documents as may be required.

Article 9. The customs shall, within 15 days of receipt of application for customs registration, conduct customs registration and the registration of customs declarer, before issuing a certificate of customs registration and a certificate of customs declarer. Any registered customs declarer shall be replaced only under previous agreement with the customs.

Article 10. A customs declarer shall prepare documents of customs declaration of the goods to be taken out or brought in, and shall be personally responsible for customs clearance.

The customs declaration shall be accompanied by such documents as the export/import licence or the letter of approval for goods to be taken out or brought in, the documents issued by the city people's committee in the Zone (hereinafter called the Zone Administration), and invoice.

The legal responsibility for any declaration by a customs declarer shall be borne by the relevant institution and enterprise, foreign investment-business enterprise, or resident office.

Article 11. Approval for bonded materials to be brought into the bonded district, transit cargoes, and the consumer goods to be taken out or brought in by resident individuals in the Zone shall be given by the customs.

In case of bringing in bonded materials, the declaration of bonded materials, and in case of transit cargoes, the declaration of transit cargoes and a copy of contract shall be submitted to the customs.

Article 12. Customs clearance for the goods to be brought in to or taken out of the Zone by a foreign investment-business enterprise in the Zone, shall be done only within the category of business approved by the central trade guidance organ, and no customs clearance for the goods to be taken out or brought in by other enterprises shall be allowed.

Article 13. A resident office shall not go through customs formalities for the goods to be taken out or brought in solely for the purpose of gaining profit. In case of a resident office wishing to take out or bring in goods as instructed by its parent company, it shall get an approval of the Zone Administration, before submitting documents of customs declaration.

Article 14. Documents of customs clearance of the goods to be taken out or brought in shall be submitted prior to the arrival of the goods in question at a customs clearance point.

Where it is impossible to submit the documents of customs clearance in advance, they shall be submitted as soon as the goods have arrived at the customs clearance point.

Article 15. In case of the institution and enterprise in the areas outside the Zone wishing to bring into the Zone export goods as arranged by plan or to take out import goods through the Zone to the areas of the DPRK outside the Zone, they shall go through customs clearance only after they have got approval of the central trade guidance organ.

Article 16. In case of bringing the goods into the zone or taking them out to the areas of the DPRK outside the Zone according to State plan for materials supply or to contract, such documents as may be required by the customs shall be submitted prior to going through customs clearance.

Article 17. Customs declaration of a ship coming in and going out of a trade port and of the cargo aboard it shall be made by its captain.

Article 18. Customs declaration of a train passing through a customs clearance point shall be made by the relevant railway station.

The relevant railway station or the cargo owner shall submit documents required by the customs as soon as the train arrives at the station.

Article 19. Customs declaration of the air cargo shall be made by the relevant airport or chief pilot of the aircraft concerned.

The relevant airport or the chief pilot shall submit documents required by the customs before take-off and after landing.

Article 20. Customs declaration of transit cargo shall be made by either the cargo owner or his agent.

Article 21. In case an aircraft or a ship has landed or come to anchor at a place where no customs house is located, due to unavoidable circumstances, or in case an aircraft or a ship has jettisoned or unloaded its cargo for the sake of its safety, the relevant operation institution or the chief of the relevant means of transport shall immediately notify the customs of it.

Article 22. Customs declaration of postal matter shall be made by the relevant post office or the owner. In case of the postal matter received, the post office shall make a declaration to the customs, and in case of the postal matter to be dispatched, the owner shall declare it.

Article 23. In case of an institution wishing to take bonded materials out of the bonded district, it shall declare to the relevant customs house 24 hours before packing or dispatching such materials.

Article 24. Where the bonded materials in the bonded district are to be turned into import goods, the relevant institution shall get the approval of the Zone administration before proceeding to necessary customs formalities.

Article 25. Bonded materials or goods may be taken out of the bonded district temporarily for a period of 6 months for the purposes of repair, processing, assembling, experiment, packing and so on, and customs clearance shall be made for them, when they are to be brought back into the bonded district.

If bonded materials or goods taken temporarily out of the bonded district are not able to be brought back within a specified period of time, due to unavoidable circumstances, application may be submitted to the customs for extension of this period to no longer than 3 months.

Article 26. Where work is to be done with cargo under the supervision of the customs, the cargo owner or the relevant institution to do the job shall obtain approval of the customs.

Article 27. Individuals, including the crew aboard a transportation means, who pass through a customs clearance point, shall make declaration of their personal effects.

Declaration of personal effects may be made in writing or orally as required by the customs.

Article 28. Documents of customs clearance related to the goods taken out or brought in shall be preserved for 5 years.

The documents of customs clearance for goods imported by the enterprises engaged in tourist business, hotel service, commercial business and restaurant business shall be preserved for 10 years.

Chapter 3. Customs Inspection and Control

Article 29. Cargoes, postal matter, transportation means or individuals that enter or leave the Zone shall pass only through customs clearance points and shall be subject to customs inspection.

If, for some unavoidable reasons, cargoes, postal matter or transportation means are to be brought in or taken out through a place where a customs house is not located, approval shall be obtained from the relevant institution and an application for on-site inspection shall be submitted to the customs house nearest to the place to undergo the inspection on the spot.

Article 30. Customs inspection of the goods to be brought in or taken out shall be made at the customs control district or bonded district on a customs clearance point, or at a designated place of arrival or dispatch.

Where it is impossible to make customs inspection of the goods to be brought in or taken out at a customs control district on a customs clearance point, the goods shall be transported under supervision from a customs house to another in the Zone.

The customs shall, if need be, organize escort for the transportation of

the goods to be brought in or taken out.

Article 31. Goods to be brought in or taken out through the areas of the DPRK outside the Zone shall not be inspected by the customs houses in the areas outside the Zone, and the said goods shall be put under supervision while being transported from the customs in the Zone to the customs in the areas outside the Zone.

Bulk cargoes shall be inspected by the customs in the areas outside the Zone.

Article 32. During the transportation of cargoes under the supervision of customs, it is forbidden to change the destination, discharge the cargoes or load any other cargo in addition to the said cargoes.

Article 33. Where the goods to be brought in to or taken out of the Zone are to be carried by lorries, they shall be carried by such type of lorries as are equipped with facilities and conditions which are convenient enough for the customs to supervise the transportation of cargoes.

Bulk cargoes may be carried by several-purpose lorries.

Article 34. The customs inspection of the goods to be brought in or taken out of a trade port shall be made at the trade port concerned.

Article 35. Transportation means entering or leaving the Zone shall be inspected at a customs control district on a customs clearance point.

The transportation means that has arrived at a customs control district shall be prohibited from leaving without permission of the customs.

The institution operating transportation means or its agent shall give prior notice to the customs of expected time of arrival or departure of the transportation means so as to facilitate customs inspection.

Article 36. A post office shall neither deliver to the owner nor dispatch out of the Zone any postal matter that has not been inspected by the customs.

Letters, printed matter, currencies, securities, etc., shall not be put in a parcel.

Article 37. Individuals who enter or leave the Zone and trade ports shall be subjected to customs inspection on their personal effects, including the luggage.

Article 38. Individuals may bring with them or send or receive by mail the commodities within the limit of an amount required for their life in and out of work.

Household goods to be moved or property inherited may be brought in or taken out without limitation upon presentation of a certificate issued by the relevant institution.

Article 39. Korean *won* shall not be taken out to or brought in from a foreign country.

Korean *won* may be carried within the limit of an amount set by a relevant central banking institution, through the customs clearance point on the internal border.

Article 40. Movement of foreign currency in cash, foreign exchange

securities, precious metals and jewellery that are personally carried by individuals shall be subject to the following rules:

1. Foreign currency in cash and foreign exchange securities that are brought in from or taken out to a foreign country shall be allowed without the bearer having to make a customs declaration,

2. Precious metals and jewellery that are brought in from a foreign country shall be allowed as the bearer makes a customs declaration,

3. Foreign currency in cash, foreign exchange securities, precious metals and jewellery that are brought into the Zone through the areas of the DPRK outside the Zone shall be allowed upon presentation of a certificate issued by a relevant banking institution or a document confirmed by the customs at the time of their entry into the territory of the DPRK,

4. Precious metals and jewellery that are to be taken out to a foreign country shall be allowed upon presentation of a certificate issued by a relevant banking institution or a document confirmed by the customs at the time of their entry into the Zone, and

5. Foreign currency in cash, foreign exchange securities, precious metals and jewellery to be taken out of the Zone to other areas of the DPRK outside the Zone shall be allowed as the bearer makes a declaration.

Article 41. Transit cargoes to be brought in or taken out shall only be supervised, without being subject to customs inspection.

Customs inspection on transit cargoes may be conducted when it is required by any foreign cargo owner or when it is deemed necessary by the customs.

Article 42. Materials whose entry into the DPRK is limited shall be brought in or taken out only through customs clearance points on the border and port border within the Zone, and their storage and transportation shall be undertaken under the supervision of the customs.

Article 43. The customs shall supervise the disposal of duty-free materials and the products made of duty-free materials in the Zone so that they are not disposed of illegally.

Article 44. Where the work of loading and unloading cargoes, or carrying, storing, sorting, mingling or packing cargoes takes place at trade port, and where the work is to be done in the Zone to handle the cargoes that are placed under the supervision of the customs, on-site supervision shall be conducted by the customs.

Article 45. Where a product is processed or assembled in a bonded factory by using both the bonded raw and other materials and semi-products and the local raw and other materials and semi-products, the factory concerned shall report to the customs in writing about the mixing proportion and the production quantity.

Article 46. A bonded factory shall present a quarterly report in writing to the customs within the 10th day of the first month of the next quarter, describing the receipt, consumption and current stock of raw and other

materials and semi-products, as well as production, export and current stock of finished products, and shall have the report cross-checked by the customs.

Article 47. No ordinary export or import goods other than bonded goods shall be stored in a bonded warehouse.

The management institution of a bonded warehouse shall store or deliver only such goods as have been approved by the customs, and shall, within the 5 day of each month, report in writing to the customs on the receipt, delivery and stock of bonded materials during the previous month and have the report cross-checked by the customs.

Article 48. Any processing or assembling of bonded materials is forbidden in a bonded warehouse.

Any movement of cargoes, re-packing, change of markings on the packing or sorting of cargoes shall be undertaken under the supervision of the customs.

Article 49. If, during storage of bonded materials, it is found that the actual quantity of materials is short of the recorded one or that any of the materials have been destroyed, degenerated or damaged, the management institution of the relevant bonded warehouse shall report in writing to the customs thereof, and shall have the report certified by the customs.

The management institution of the bonded warehouse shall be responsible for any shortage of quantity or damage to bonded materials (except for such loss or damage as has been caused by an unavoidable circumstance).

Article 50. Cargoes for resale or transit trade shall be taken out to other countries within 3 months from the date of their arrival at the Zone.

In case they cannot be disposed of within the fixed period, the period may be extended for no longer than 1 month with the approval of the customs.

Article 51. The customs shall strengthen relations with quarantine offices on customs clearance points.

Chapter 4. Customs Duty and Customs Fee

Article 52. The customs shall apply preferential tariff rates to materials or goods that are imported into the Zone.

Article 53. No customs duty shall be imposed on the following materials or goods:

1. Materials in the form of investment into the Zone,
2. Materials for production and management,
3. Materials to be processed in the Zone for re-export,
4. Reasonable quantity of office articles, office instruments, equipment, furniture or transportation means and consumer goods brought in by an enterprise for its own consumption,
5. Goods produced in the Zone for export to a foreign country,
6. Goods for resale and transit trade, and
7. Materials or goods listed otherwise by the State.

Article 54. Customs duty shall be imposed on the following:

1. Materials or goods to be sold in the Zone,
2. Materials or goods which have been produced in the Zone or those imported to the Zone and which are to be sold either in the Zone or in any other areas of the DPRK outside the Zone,
3. Materials that have been brought into the Zone for the purposes of processing for hire, resale or transit trade and are to be sold either in the Zone or in any other areas of the DPRK outside the Zone with the approval of the State,
4. Office articles, office instruments, transportation means and consumer goods brought into the Zone in excess of actual needs, and
5. Personal belongings and postal matter brought into the Zone in excess of duty exemption limits.

Article 55. Tonnage dues shall not be imposed on foreign ships entering or leaving trade ports.

In case of the dissolution or withdrawal of the business within 10 years after the start of its operation, the customs duty reductions that has been favoured with shall be returned to the customs.

Article 56. Duties shall be imposed on the commodities brought in for tourist business, hotel service, commercial business and restaurant business in the Zone.

Article 57. The products made of raw and other materials, accessories and components that have been brought in without payment of customs duty shall be exported on all accounts.

Where any of the export products are to be sold in the Zone or to any other part of the DPRK outside the Zone with the approval of the State, customs declaration shall be made thereof to the customs and the customs duty shall be payable for such imported raw and other materials, accessories and components as have been used to manufacture such products.

If the exact quantities and prices of the imported raw and other materials, accessories and components that have been consumed to manufacture the products, have not been declared, the customs shall impose customs duty, taking into account the quantities and import prices of the relevant materials brought in.

Article 58. Where a foreign investment-business enterprise wishes to purchase goods or materials in the areas of the DPRK outside the Zone or to sell the products of the Zone to other parts of the DPRK outside the Zone, the enterprise concerned shall pursue the purpose through a relevant trade institution of the DPRK, and In case of purchase or sale of materials or goods, both the enterprise and the relevant trade institution of the DPRK shall pay customs duty.

Article 59. In case of purchasing materials in the Zone or in the areas of the DPRK outside the Zone to export them without processing, export duty shall be payable.

In case goods or commodities with an added value of more than 20 per cent are produced for export by making use of the said materials, such goods or commodities shall be deemed to have been produced in the Zone and, accordingly, no export duty shall be imposed on them.

Article 60. Office articles, office instruments, equipment, furniture, consumer goods and transportation means that have been brought in from a foreign country for personal consumption shall not be sold either in the Zone or to other parts of the DPRK outside the Zone.

In case they are to be sold due to unavoidable reasons, declaration shall be made thereof to the customs, and the customs duty required of them shall be a able.

Article 61. No customs duty shall be imposed during the bond period.

The bond period shall be 2 years for a bonded factory or a bonded warehouse, and shall be as set by the customs for a bonded exhibition.

Where the bond period is to be extended for an unavoidable reason, an application for the purpose shall be submitted to the customs 10 days before the expiry of the bond period, and the customs, after examining the application, shall reject it or extend the period for no longer than 6 months.

Article 62. In case of carrying bonded materials or goods out of the Zone temporarily for the purposes of repair, processing, assembling, experiment or packing, any security in cash or in kind equivalent in value to the amount of customs duty, shall be placed in the custody of the customs.

If the said materials or goods have been carried back into the Zone within a specified period of time, the security in cash or in kind shall be returned, and if not, the security may be disposed of in lieu of the customs duty.

Article 63. In case the materials or goods to be brought into the Zone are found in the course of customs inspection, to have been decomposed, degenerated, damaged or missing, they, according to their current state, may be partly or totally exempted from the customs duty.

Article 64. The standard price on the basis of which import duty is imposed shall be the price of arrival at border, whereas that on the basis of which export duty is imposed shall be the price of delivery at border.

The standard price on the basis of which customs duty is imposed on personal belongings and postal matter shall be the corresponding retail price of the article in question prevailing in the Zone.

Article 65. Amount of customs duty shall be calculated in Korean *won*, pursuant to the tariff rates prevailing at the time when the materials or goods in question are brought in or taken out, and the customs duty shall be imposed in Korean *won* or foreign currency.

The exchange rate of Korean *won* against any foreign currency shall be such as is made public by the trade banking institution in the Zone for the given time.

Article 66. Customs duty shall be paid according to the notice of payment of customs duty issued by the customs. No materials or goods shall

be brought in or taken out of the Zone without payment of customs duty.

Article 67. In case the prices of the materials or goods to be brought in or taken out are declared lower than their original prices, for the purpose of tax evasion, the customs may have the prices of such goods re-evaluated through a relevant institution and impose such customs duty as is required.

Article 68. The customs shall collect customs fee for customs registration and for customs clearance, supervision and on-site customs inspection with regard to transit cargoes.

Customs fee shall be paid to the customs according to the notice of payment of customs fee given by the customs.

The standard of customs fee shall be such as is determined by the relevant State pricing institution.

Article 69. Where the customs duty and customs fee have been overpaid, a request may, within 1 year from the time of payment, be made of the customs concerned to refund any surplus amount paid.

Article 70. Where the customs has failed to collect full amount of customs duty and customs fee with regard to any goods or materials brought in or taken out, it may collect the appropriate amount of such customs duty and customs fee within 3 years from the date of customs clearance for the goods or materials in question.

Article 71. Where a foreign-invested enterprise wishes to dissolve its business, the enterprise concerned shall notify the customs of its dissolution within 5 days from the date of approval by the screening institution of the incorporation of enterprises.

The customs, upon receipt of notice of dissolution of the enterprise concerned, shall send to the liquidation committee a document claiming for the customs duty and customs fee overdue, and the liquidation committee shall satisfy the claim of the customs for payment on a priority basis.

Chapter 5. Sanctions and Petition

Article 72. The central customs guidance institution shall undertake tight control and supervision of the customs to prevent occurrence of any deviation.

Article 73. Where bonded materials or goods have not been disposed of within a fixed period of time, the materials or goods in question shall be delivered to a relevant institution for disposal by means of sale, and from the money earned by the sale, an appropriate amount shall be disposed of as customs duty and the rest shall be delivered to the management institution of the bonded warehouse for disposal.

In case the bonded materials or goods cannot be disposed of by means of sale, an appropriate amount of the materials or goods concerned, equivalent to customs duty, shall be delivered for disposal as customs duty.

Article 74. In case of breach of these regulations, such administrative

punishment as confiscation of the certificate of customs declarer, suspension of customs clearance for goods to be brought in or taken out, cancellation of customs registration, detaining of the transportation means and the goods to be brought in or taken out, or fining, shall be imposed depending on the severity of offence, and, if the violation proves to be severe, criminal punishment shall be imposed.

Article 75. Contraband goods shall be seized immediately on the spot and, depending upon the severity, vehicles and other means used for smuggling them shall be seized.

Where it is impossible to seize the smuggled goods, the amount of money corresponding to the value of the goods in question shall be paid by the institutions and enterprises, foreign investment-business enterprises or individuals that have committed smuggling or cooperated in smuggling.

Article 76. Prohibited goods such as arms, drugs and other articles which are harmful to national security, social and moral life of the people, human life and growth of animals and plants, and Korean *won* to be taken out to or brought in from a foreign country shall be seized.

Article 77. The seized goods shall be disposed of as required by the laws and regulations on the disposal of confiscated property.

Article 78. Petition may be filed with regard to any complaint about customs clearance, inspection, or payment of customs duty and customs fee.

The petition shall be settled within 30 days of its receipt.

REGULATIONS ON FINING IN THE RASON ECONOMIC AND TRADE ZONE

Adopted by Decision No. 67 of the Cabinet on December 8, 2000

Article 1. These regulations are formulated to establish an order for the imposition of fines in case of violations of the law in the Rason economic and trade zone.

Article 2. These regulations shall provide for the procedures and methods of imposing fines on organs, enterprises and associations of the DPRK (hereinafter called the organs and enterprises), foreign-invested enterprises, citizens of the DPRK and foreigners (hereinafter called the individuals) in the Rason economic and trade zone (hereinafter called the Zone) when they violate the laws and regulations of the State.

Article 3. The law-abiding life guidance organ in the Zone shall be responsible for the unified supervision and guidance over the matters related to the imposition of fines in the Zone.

Article 4. Fines shall be imposed in case of violation of the laws and regulations of the State only if the relevant law or regulations provides for the imposition of fines in such cases.

Article 5. Fines shall be imposed on the basis of a judgement or decision of the Zone court, an arbitral award of an arbitration organ or a decision of the Zone law-abiding life guidance organ.

An organ authorized by the laws and regulations to impose fines (hereinafter called the relevant authorized organs) may impose fines directly.

Article 6. Where several law-breaking acts for which fines should be imposed are committed at the same time, the greatest amount of the applicable fine standards shall be imposed.

Article 7. Powers to impose fines shall be as follows:

1. Relevant authorized organs shall handle the imposition of fines in case of violating the traffic order, travel order, public order, train and bus use order, goods sale order, city management order, land and environmental protection order, power use order, hygienic and anti-epidemic order, veterinary and anti-epidemic order, the order for customs inspection and quarantine service at the border and the Zone boundary as well as other orders that may be set separately, and

2. The law-abiding life guidance organ shall handle the imposition of fines against the organs and enterprises, foreign-invested enterprises or individuals the fines other than those that are imposed by the relevant authorized organs.

Article 8. Fines that are imposed directly on the spot (hereinafter called the spot fines) shall be handled only by officials from relevant authorized organs.

Article 9. Fines other than spot fines shall be paid by depositing it with

the Zone banking institution and receiving a document certifying the deposit according to the relevant procedures.

Article 10. Fines imposed on a foreign-invested enterprise or a foreigner shall be payable either in Korean *won* or in a foreign currency.

Where a fine is received in a foreign currency, the conversion between Korean *won* and the foreign currency shall be based on the current exchange rate published by a DPRK foreign exchange bank based in the Zone.

Article 11. Fine imposition standards shall be as follows:

1. Up to 37,500,000 *won* against an organ or enterprise,
2. Up to 150,000 *won* (750,000 *won* in case of a grave violation), or up to 75,000 *won* of a spot fine (375,000 *won* in case of grave violation), against a citizen of the DPRK.
3. Up to 150,000,000 *won* against a foreign-invested enterprise,
4. Up to 7,500,000 *won*, or 2,250,000 *won* of a spot fine, against a foreigner, and
5. Fining standards outside the Zone shall be applied to the citizens who have come to the Zone from the areas outside the Zone, and fining standards of the Zone to the citizens who have come from the Zone to the areas outside the Zone.

Fines shall be imposed, taking into account the motive, degree and consequences of the law-breaking act as well as the financial condition of the offender.

Article 12. Fines shall be imposed according to the following procedures and methods.

1. An organ imposing a fine shall receive a record of violation or a certificate of violation describing the act of violation.

A record or a certificate of violation shall be received from the head of the organ, enterprise or foreign-invested enterprise that has committed an act of violation or from the individual who has committed an act of violation.

Where the offender refuses to draw up a record or certificate of violation although there is clear evidence of his act of violation, two or more third parties may be requested to put a signature of attestation,

2. Where an organ is to impose a fine that falls under the authority of the Zone law-abiding life guidance organ, the imposing organ shall submit to the Zone law-abiding life guidance organ an application for imposition of fine accompanied by a record or certificate of violation and a description of the act of violation.

Where fine is imposed by the relevant authorized organ, the organ concerned shall examine the matter. The relevant authorized organ shall examine and settle the application for imposition of fine within 10 days from its receipt,

3. Where a spot fine is received, a notice of imposition of fine issued by the Zone financial organ shall be delivered and its copy shall be kept, and

4. Fines imposed by the court or the arbitration organ of the Zone shall

be governed by the separate procedures and methods stipulated for that purpose.

Article 13. A notice of imposition of fine shall be sent for execution through the organ that has applied for the imposition if the fine falls under the authority of the Zone law-abiding life guidance organ or directly by a relevant authorized organ if the fine falls under its authority. The procedures are as follows:

1. A notice of imposition of fine against an organ or enterprise shall be sent to the banking institution in which the organ or enterprise concerned keeps its account.

The banking institution shall transfer the amount stated in the notice of imposition of fine out of the account of the organ or enterprise concerned to the Zone budget.

2. A notice of imposition of fine against a DPRK citizen who has an occupation shall be sent to the same citizen and the organ, enterprise or foreign-invested enterprise that employs him as well as to the banking institution in which an account is kept by the organ, enterprise or foreign enterprise that employs him.

The banking institution shall transfer to the Zone budget the amount stated in the notice of imposition of fine out of the account kept by the organ, enterprise or foreign-invested enterprise that employs the citizen in question,

3. A notice of imposition of fine against a DPRK citizen who does not have an occupation shall be sent to the administration of *dong* or *ri* where the same citizen resides.

The *dong* or *ri* administration shall pay the amount of fine into the Zone budget and send a document certifying the payment to the organ that has issued the notice of imposition of fine.

4. A notice of imposition of fine against a foreign-invested enterprise or a foreigner shall be sent to the banking institution in which its or his account is kept.

Where it or he does not keep an account in any banking institution, it or he shall be required to pay the amount of fine to a specified banking institution and deliver a document issued by the same banking institution certifying the payment.

5. Where there is no balance remaining in the bank account, the offender shall be required to play an amount equivalent to the fine to a specified banking institution and deliver a document certifying the payment.

Article 14. Fines shall be collected within 1 month after the day when a notice of imposition of fine is received.

Fines that are collected from an organ, enterprise or the administration of *ri* or *dong* and fines that are collected on the spot by a relevant authorized organ shall be deposited with the relevant banking institution within 5 days.

Article 15. Where a fine is not paid within 1 month after the day when the notice of imposition of fine is received, such administrative sanctions as

suspension of operation and confiscation of property equivalent to the fine shall be imposed, depending on the degree of non-payment, and in case of a grave violation, criminal punishment shall be applied.

Article 16. The Zone law-abiding life guidance organ shall supervise the imposition of fines by a relevant authorized organ and, where it is found that a fine has been imposed in an inappropriate way, may change or cancel the imposition.

Article 17. Where it is found that fines have been imposed at random or money received as a fine has been misappropriated or embezzled in violation of these regulations, the official responsible for the violation shall be subject to legal punishment.

Article 18. In case of a grievance in connection with the imposition of a fine, a complaint or petition may be submitted.

The complaint or petition shall be settled within 30 days from its receipt.

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