

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

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**Chapter 1: Fundamentals**

Article 1 (Objective)

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

Article 2 (Status and location of the Economic Zone)

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

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

Article 3 (Development of the Zone, industries)

The Zone shall be developed by areas and stages.

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

Article 4 (Investors)

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

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

Article 5 (Provision of conditions for economic activities)

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

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

Article 6 (Sectors of priority, prohibition and limitation)

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

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health, healthy social and moral life, protection of environment, and projects that are economically and technically outdated.

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

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

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

Article 8 (Protection of investors' rights and interests)

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

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

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

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

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

No one shall be detained or arrested, nor his/her place of residence be searched without a legal warrant. Any treaty concluded between the DPRK and a foreign country in respect of personal safety and criminal matters shall take precedence.

Article 10 (Applicable laws and regulations)

Applicable to the development and management of the Zone, business operation and other economic activities shall be this Law, and its implementing regulations, rules and general standards.

Where the laws and regulations governing the Zone contain provisions different from treaties like conventions, memorandum of understanding and agreements concluded between the DPRK and a foreign country, the latter shall take precedence. Where the laws and regulations for the Zone differ from those in effect outside the Zone, the former shall prevail.

## **Chapter 2: Development of the Zone**

### Article 11 (Principle of development)

The Zone shall be developed on the principle of:

- ensuring comparative advantage of the Zone over the surrounding areas in natural and geographical conditions, natural resources and requisites for production;
- making economic and rational use of land and resources;
- protecting the ecological environment of the Zone and the surrounding areas;
- raising international competitiveness of production and service;
- providing facilities for economic activities like trade and investment;
- guaranteeing public interest; and
- ensuring sustained and balanced economic development

### Article 12 (Development plan, modification)

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

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

### Article 13 (Mode of development of the Zone)

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

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

### Article 14 (Approval for developer enterprise)

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

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

### Article 15 (Land lease contract)

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

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

The land management institutions shall issue a land use certificate to the developer upon receipt of the land rental charge.

### Article 16 (Term of land lease)

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

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

Article 17 (Removal and relocation of buildings and attachments)

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

Article 18 (Time for commencement of development process)

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

Article 19 (Construction of infrastructure and public establishments)

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

The developer enterprise may invite other enterprises to construct the infrastructure and public establishments.

Article 20 (Assignment of rights to use land and building, rental charge)

The developer enterprise shall have the rights to assign or lease the developed land and buildings as the infrastructure construction progresses in accordance with the development plan. In this case the rental charge for assignment and lease shall be determined by the developer.

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

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

**Chapter 3: Management of the Zone**

Article 22 (Principle of management)

The Zone shall be managed on the principle of:

- strictly observing and enforcing laws and regulations;
- ensuring autonomy of the management committee and the enterprises;
- offering preferential treatment to trade and investment activities;
- complying with objective laws of the economy and principles of market; and
- referring to international practices

Article 23 (Establishment of management committee, status)

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

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

Article 24 (Composition of management committee)

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

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

#### Article 25 (Chief of management committee)

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

#### Article 26 (Functions of management committee)

The management committee shall perform the following functions:

- preparing rules required for the development and management of the Zone;
- fostering investment climate and attracting investment;
- approving establishment of enterprises, registering and licensing;
- making a list of sectors of priority, limitation and prohibition and announcing it;
- granting permission of specially-ordered construction projects and conducting inspection of completion of construction work;
- taking custody of designs for ordered construction projects;
- establishing independent financial management system;
- registering rights to use land and building ownership;
- managing property under its custody;
- rendering cooperation in the management of enterprises;
- undertaking supervision of and cooperation with construction and management of infrastructure and public establishments;
- taking measures for environmental protection and fire-fighting in the Zone;
- rendering cooperation in the work concerning entry and exit of personnel, vehicles and goods;
- preparing articles of association of the management committee; and
- carrying out other work assigned by the central guidance authority of special economic ones and the north Phyongan provincial people's committee with regard to the development and management of the Zone

#### Article 27 (Convening of meetings of chiefs of enterprises)

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

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

#### Article 28 (Compilation and execution of budget)

The management committee shall compile and execute a budget.

Documents concerning the compilation and execution of budget shall be submitted to the central guidance authority of special economic zones and the north Phyongan provincial people's committee.

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

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

- preparing implementing rules for the law and regulations of the Zone;
- providing workforce required for the development and management of the Zone and business operation; and
- fulfilling other assignments of the central guidance authority of special economic zones with regard to the development and management of the Zone

Article 30 (Functions of central guidance authority of special economic zones)

The central guidance authority of special economic zones shall:

- prepare development strategy for the Zone;
- contact local institutions for the development and construction of the Zone;
- cooperate and contact with foreign governments;
- approve screening criteria for establishment of enterprises;
- select local enterprises to make investment in the Zone; and
- render cooperation in the sale of the products of the Zone in local areas outside it

Article 31 (Submission of work program and statistics)

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

**Chapter 4: Establishment, Registration and Operation of Enterprises**

Article 32 (Application for business establishment)

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

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

Article 33 (Registration of enterprise, incorporation)

An enterprise shall, upon obtaining approval of its establishment, register its establishment, register with the customs office and taxation office within the prescribed period of time.

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

Article 34 (Rights of enterprises)

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

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

Article 35 (Business category, approval of modification)

An enterprise shall conduct its operational activities within the range of approved business category. Where business category is to be extended or modified, approval shall be obtained again.

Article 36 (Employment of labour)

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

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

Article 37 (Minimum monthly wage)

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

Article 38 (Economic transactions with the DPRK enterprises outside the Zone)

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

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

Article 39 (Prices of commodities and services)

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

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

Article 40 (Accounts of enterprises)

Enterprises shall open accounts with the DPRK banks or foreign-invested banks set up in the Zone. Where accounts are to be opened with foreign banks outside the territory of the DPRK, approval shall be obtained from the management committee.

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

Article 41 (Insurance, establishment of insurance institution)

Enterprises and individuals in the Zone shall take out policy of the insurance companies in the territory of the DPRK, and to obligatory insurance shall be opened with the designated insurance company.

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

Article 42 (Accounting of enterprises)

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

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

Enterprises in the Zone shall pay taxes as prescribed.

Rate of enterprise income tax shall be 14 percent of the net profit and the rate for enterprises in top priority sectors shall be 10 percent of the net profit.

Article 44 (Establishment and registration of branches and offices)

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

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

**Chapter 5: Provision of Conditions for Economic Activities**

Article 45 (Streamlining of screening and approval procedures)

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

Article 46 (Circulating money, settlement currency)

Designed currency shall be circulated in the Zone.

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

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

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

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

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

Article 48 (Protection of intellectual property rights)

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

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

Article 49 (Control of work concerning place of origin)

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

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

Article 50 (Special license for operation)

Infrastructures and public establishments in the Zone may be given special license for operation. Where an enterprise that has a special operation license wishes to assign or distribute it to other enterprises, a contract shall be concluded and approval shall be obtained from the management committee.



Article 51 (Purchase of products of the Zone)

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

Article 52 (Fulfillment in good faith of contracts)

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

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

Article 53 (Services for managerial work)

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

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

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

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

Article 55 (Construction standards, technical norms)

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

Article 56 (Tourist business)

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

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

Article 57 (Use of communications devices)

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

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

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

Article 59 (Transaction of securities)

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

**Chapter 6: Incentives and Preferential Treatment**

Article 60 (Mode of investment)

Investors may invest in the Zone in various forms including direct investment and indirect investment.

Article 61 (Encouragement of export and import)

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

Article 62 (Exemption or reduction of enterprise income tax)

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

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

Article 63 (Preferential treatment concerning use of land)

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

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

Article 64 (Refund of income tax on reinvested amount)

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

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

Article 65 (Preferential treatment for developer enterprise)

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

Tax shall not be levied on the property of the developer enterprise and the infrastructure and public establishments that he/she operates.

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

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

Article 67 (Entry or exit from the Zone)

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

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

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

Preferential tariff system shall be introduced in the Zone.

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

Article 69 (Declaration of inward or outward materials)

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

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

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

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

**Chapter 7: Complaints, Settlement of Disputes**

Article 71 (Complaints, settlement)

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

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

Article 72 (Settlement of dispute by mediation)

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

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

Article 73 (Settlement of dispute by arbitration)

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

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

Article 74 (Settlement of dispute by court)

Parties to a dispute may bring an action to a competent court in the Zone or a court established therein. Procedures for administrative action in the Zone shall be provided separately.

**Appendix**

Article 1 (Date of entry into force)

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

Article 2 (Right of interpretation)

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