

Pyongyang hosts int'l conference on SEZ development



Ri Chol Sok, vice-chairman of the Korea Economic Development Association, shakes hands with Dr. Park Kyung Ae, director of the Canada-DPRK Knowledge Partnership Programme at UBC, with participants in the International Conference on SEZ Development.

SONG TAE HYOK

The International Conference on Special Economic Zone Development was held on October 16-17 at the Yanggakdo International Hotel in Pyongyang.

It brought together experts from the Korea Economic Development Association, the Rason Economic and Trade Zone and the Hwanggumphyong Economic Zone, relevant officials from provinces, researchers at Kim Il Sung University, University of National Economy and Wonsan Jong Jun Thak University of Economics, and foreign pundits from Hong Kong, Malaysia, Vietnam, India, the UK, Canada and the US.

Ri Chol Sok, vice-chairman of the Korea Economic Development Association, and Park Kyung Ae, professor at the University of British Columbia in Canada, made opening remarks.

They said that they are very pleased the Pyongyang conference has opened successfully as part of the DPRK-Canada Knowledge Partnership Programme with the help of the local and foreign experts and they look forward to a successful conference.

The themes were about "case studies and fundamental characteristics of SEZ planning", "management and governance", "SEZ and the domestic economy", "SEZ and investment", "SEZ evolution" and "next steps for DPRK economic zones".

Speakers included Yun Yong Sok, director of the Korea Economic Development Association, Kang Jong Nam, professor at Kim Il Sung University, Lim Pao Li, director of the Planning & Economic Research Institute of

Malaysia, Connie Carter, professor at Royal Roads University in Canada, and other local and foreign experts, who referred to their perspectives and experience gained in developing special economic zones.

The workshop provided an opportunity to promote transparency in the DPRK government's bid for SEZs and draw global attention to the geopolitical advantages of the DPRK.

By Cha Myong Chol PT

GEOPOLITICAL ADVANTAGES OF SEZS IN DPRK



There are four special economic zones in the DPRK: the Rason Economic and Trade Zone, the Hwanggumphyong and Wihwado Economic Zone, the Kaesong Industrial Park and the Kumgangs International Special Tourism Zone.

The Rason Economic and Trade Zone is in Rason City in the northernmost part of the country. As it is located in the Tuman delta bordering China and Russia, the zone is a strategic vantage point linking the DPRK to Northeast Asia, Europe, Japan and America.

The transport route from Yanji, China to Niigata, Japan via Dalian runs 3 450 km, but the distance via Rason covers 1 120 km, which is 2 330 km shorter than the former. It is also 15 to 17 days faster to transport cargos from Japan to Europe through Rason and trans-Siberian railways than via the Suez Canal.

The RETZ is now under joint, development and management with China.

The Hwanggumphyong and Wihwado Economic Zone has also been designated as an area of joint development and management with China.

The zone consists of four islands in the estuary of the Amnok River bordering China, with the Hwanggumphyong area covering 14.5 square kilometres and the Wihwado area 38 square kilometres.

The economic zone lies in between border cities of Sinuiju in the DPRK and Dandong in China, the major trade route between the two countries. It will be linked to the Asia-Pacific region by the sea route, to China by roads and to Russia and Europe by railways via Manzhouli, China.

Besides, the Kumgangs International Special Tourism Zone and the Kaesong Industrial Park are now in operation.

At the same time preparations are being made to establish one or two economic development zones in each province and develop them in line with their specific conditions.

Kim Hong Il, *professor at Kim Il Sung University*

SEZ DEVELOPMENT EXPERIENCE IN CHINA

China has channelled great efforts into establishing comprehensive or partial SEZs, taking the bid as a long-term and sustained task for economic development.

In August 1980, the Chinese government announced the establishment of Shenzhen, Zhuhai and Shantao SEZs in Guangdong and pushed ahead with the development projects successfully.

Afterwards, different special zones were set up across the country.

SEZs provide privileged treatment in project approval, tariffs, infrastructure development, transfer of land use right, trade and investment attraction.

In addition, FTZs preferentially allow different business models, which provides a better environment for private entrepreneurs to attract investment.

Into the new century, China has been pushing projects for free trade port areas and comprehensive free trade zones.

A case in point is the Shenzhen Special Economic Zone, which is booming in close relationship with other SEZs the world over.



PROSPECTS FOR SEZ DEVELOPMENT

Vietnam has directed big energy to developing special economic zones for the growth of the country's economy.

It established special economic zones and set up different types of economic zones in several parts of the country by drawing on experience.

It introduced management methods into such zones to suit the specific characters of relevant units.

The development of special economic zones had substantial influence on the country's economic growth.

On the basis of this it created social environment at large for zone development and worked out policies.

And it worked to muster financial support for the development of infrastructure.

There are some major features in the management system of special economic zone.

Vietnam also worked to create socio-economic environment for encouraging and expanding special economic zones.

It has made significant successes, but there are many challenges.

It is working hard to develop special economic zones through close cooperation with different countries and the attraction of investment.



Vu Tuan Anh, *director of the Socio-Economic Development Centre of Vietnam*

INTERNATIONAL COOPERATION HOPED FOR



The DPRK plans to establish tourism zones in Wonsan, Kangwon Province and on Mt. Chilbo, North Hamgyong Province in the near future and set up economic zones in provinces.

The economic zones will involve such fields as industry, agriculture, tourism, export processing and high technology, and they will be categorized as central- and local-level economic zones.

The DPRK government has made positive efforts to create a more favourable international investment climate and provide a legal guarantee for the development of SEZs.

The Korea Economic Development Association hopes to make the best use of the invested foreign capital and boost cooperation and exchange with different countries in a bid to establish a world-class SEZ in the country.

It also hopes to work with foreign institutes experienced in the establishment of SEZs to train personnel to have an international understanding of the management and operation of SEZs.

It looks forward to a wide range of knowledge-sharing international platforms related to the development of SEZs in the country.

Choe Hyon Chol, *senior official of the Korea Economic Development Association*

New law friendly towards investment

The law on economic development zone was enacted and promulgated in the DPRK on May 29.

The Pyongyang Times staff reporter Kim Rye Yong interviewed Kang Jong Nam, PhD and researcher at Law College of Kim Il Sung University, about the law.

What is the difference between this law and other laws that are in force in such special zones as Rason Economic and Trade Zone, Hwanggumphyong and Wihwado Economic Zone and Kaesong Industrial Park?

The recent law is applied to economic development zones to be newly established.

According to the law, an economic development zone is the area where investors receive preferential treatment in their economic activities in line with the legislation specially laid down by the state. Such a zone includes industrial, agricultural, tourist, exports processing and cutting-edge technology development areas. It is a principle to establish such a zone in the area which is favourable for external economic cooperation and exchange, conducive to the development of the country's economy, science and technology and somewhat distant from residential areas and reserves.

Foreign investors may develop the zone singly or jointly and DPRK institutions and enterprises may be developers.

The zone shall be invested by foreign bodies corporate, individuals (natural persons) and economic groups and overseas Koreans.

The law defines that the investors' rights, interests, properties and lawful profits are under protection by law. The state shall not nationalize or expropriate their properties. Should unavoidable circumstances make it necessary to expropriate or temporarily use their properties for the public good, it shall inform them of this in advance and make a full and timely compensation for this.

The personal safety of investors is also protected by law. Without legal grounds they will not be subjected to detention or arrest and their residences will not be subjected to search.

Where there are treaties concluded between the DPRK and foreign countries as regards personal safety, they shall prevail.

How is an economic development zone managed?

It is managed by the economic development zone management body under the guidance and with the assistance of the central special economic zone guidance organ and the people's committee of a relevant province or a municipality directly under the central authority.

The management body carries out assignments given by the central organ and the people's committee including the formulation of rules of the development and management of the zone, creation of investment environment and invitation of investment, licensing of the establishment of enterprise and its registration and the licensing, supervision and cooperation related to the construction, management and operation of project.

The law stipulates that an investor can lease land for a maximum of 50 years and, if need be, continue to use the land by renewing the contract before the expiry date.

The enterprise income tax rate shall be 14 per cent of settled accounts profits and that in encouraged sectors 10 per cent, a very low rate. An enterprise that operates in the zone for over ten years shall enjoy the benefit of exemption from or reduction of taxes. Where an investor reinvests profits to increase registered capital or sets up a new enterprise to operate it for over five years, he shall be paid back 50 per cent or 100 per cent of the income tax.

Tariff in the zone is preferential.

The prices of goods and services dealt between enterprises in the zone and those of goods dealt between the enterprises in the zone and the Korean economic organizations outside the zone shall be fixed by mutual consent between the parties proportionate to international market prices.

