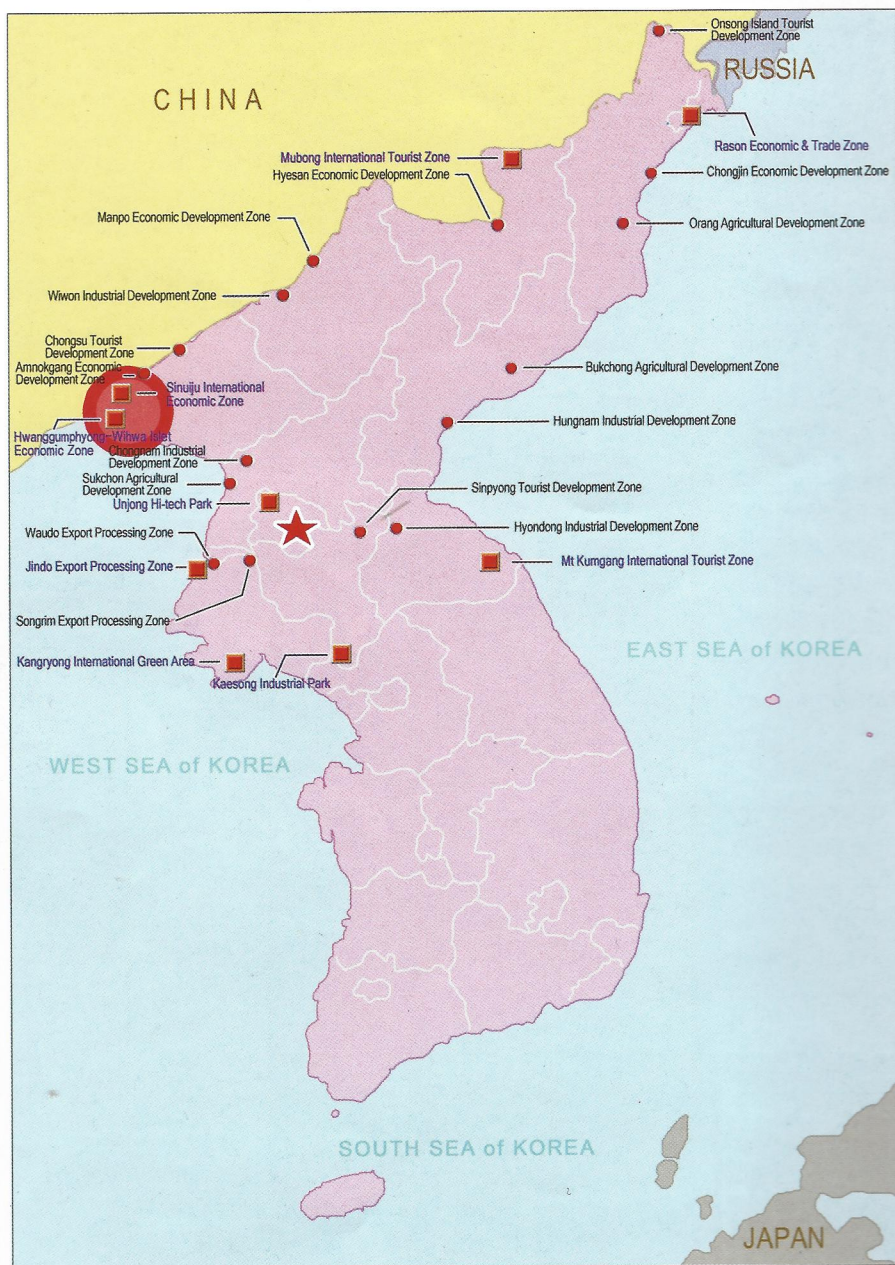


# Conditions for Economic Development and its Prospects

After the decree of the Presidium of the DPRK Supreme People's Assembly on establishing economic development zones in provinces was published on November 21, 2013, several projects for economic development zones have started. Now development projects are flourishing and invitation of foreign capital is gaining momentum.



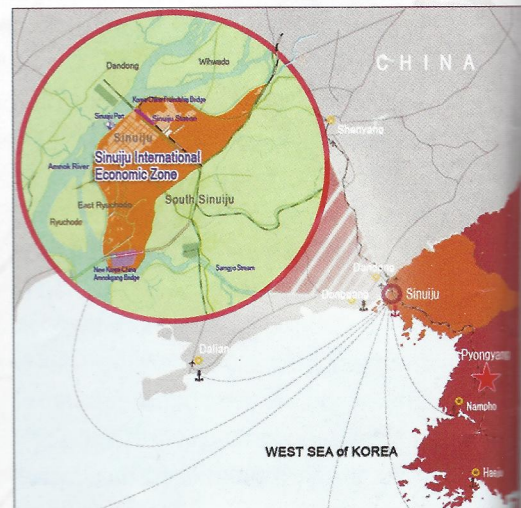
## Chongsu Tourism Development Zone

The project for the zone started on October 30, 2014. Situated in a favourable natural and geographical region on the shore of the Amnok River, it is a tourism-oriented development zone.

The zone will consist of a cultural and amusement area, folklore area and DPRK-China friendship area, as well as edible herb-processing factory, timber-

processing factory, spring water factory and piscicultural technology study base.

The zone covers part of Pangsan-ri and Chongsong Workers' District in Sakju County, North Phyongan Province. The area of the zone is 3 700 hectares, 1 400 hectares of which belong to Pangsan-ri and 2 300 hectares, to Chongsong Workers' District. Its geology is composed of silica, biotite, calomorphite, sericite and



other schists of the Lower Proterozoic. Its northeastern geological structure tilts to the northwest by 30-70 degrees with the direction of strata being at the angle of 40-60 degrees while the northwestern one to the southwest by 50-60 degrees with the northwestern direction of strata being at the angle of 310-330 degrees.

The zone is under the influence of continental climate. Its climate is affected also by Pangsan Reservoir and Lake Suphung.

The annual average temperature is 8.2°C and annual average precipitation is 1 072 mm. The freezing depth is 68 cm on average and 104 cm at most. Belonging to the water system of the Amnok, all the streams in the zone have features as mountainous stream.

Distributed in the area on a small scale are streams from the right bank of the Amnok and the Fourth Formation of the downstream area of valley and structural springs gushing out from the northeastward and northwestward aquifers.

Containing bicarbonate, calcium and magnesium, the underground water of the area is of relatively high quality. Its source is the Amnok.

There are several small-sized locally-run factories and a farm producing vegetables, meat, eggs and fruit in the area.

The second-grade Sinuiju-Kanggye road passes through the places of production and Chongsong Workers' District.



As the zone is near the Thaephyongman Power Station built by Pangsang Reservoir and Suphung Power Station, it has favourable conditions for the supply of electricity, and irrigation, industrial and drinking water.

### Sinuiju International Economic Zone

Located in a border area, the zone has a bright prospect for the development of water and marine transport. Its development area is 40 km<sup>2</sup>.

The zone is a flat area composed of deposits of organic fine sand in the mouth of the Amnok. The average height of ground inside the bank is 45 m, geomorphology is 0-0.7% and the average height above the sea level is up to 100 m.

Its annual average duration of sunshine is 2 427 hours, annual percentage of sunshine is 58% and annual average precipitation is 1 001.5 mm.

The first and second annual main winds are northeast and north winds, respectively. It has the northeast and north winds in winter and southwest wind in summer in the main.

The Sinuiju International Economic Zone will provide opportunity for bonded processing, bonded transportation, trade and financial business, tourism, hi-tech industry and various other business activities.

To this end, it is planned to develop the zone into a comprehensive economic zone with a large-sized latest IT industry area, competitive production area, exports processing area, cargo area, trade and financial area, public service area, tourist area and a bonded port, and into an international city with an airport and trade port.

Encompassing the whole of Sinuiju and two ri surrounding it, the zone is already furnished with infrastructure. However, it is necessary to upgrade the existing infrastructure and expand its capacity and build infrastructure in its suburbs on a preferential basis.

The items of the construction of infrastructure include port, airport, railways, roads, power station, heating and gas-supply system, telecommunications (international, domestic, mobile and computer network), and water-supply, sewage-treating and garbage-disposing systems.

As the zone has rich and good workforce whose education level is higher than secondary education, and many competitive heavy- and light-industry factories and enterprises around it, the investment by foreign businesses will be cost-effective and conducive to its development.

### Legal Environment of the Development Zones

Corporate bodies, individuals and economic entities from foreign countries can invest in the economic development zones.

The DPRK provides the investors with special favour in such fields as land use, labour employment, tax payment and marketing.

It encourages investment in the construction of infrastructure, cutting-edge science and technology and the production of goods with high competitiveness at international markets.

In the economic zones investors' property, legitimate income and rights are provided with legal protection and their property is exempt from nationalization or confiscation.

As the development plans and construction of infrastructure progress, development businesses shall have the right to transfer or lease the land and buildings they have developed, and set the price for them.

In the economic zones the development businesses can transfer, lease or mortgage their rights to land use and building ownership within the term of validity by the method of selling, exchange, donation or inheritance.

The business which has received the approval for establishing business in the economic zones becomes a corporate body of the DPRK.

In the economic zones businesses

are entitled, subject to contract, to obtain raw and other materials and commodities necessary for their business activities or sell their products within the territory of the DPRK outside the economic zones.

In the economic zones the enterprise income tax rate is 14% of settled profits and that for the businesses in priority sectors is 10% of their settled profits, which is very low.

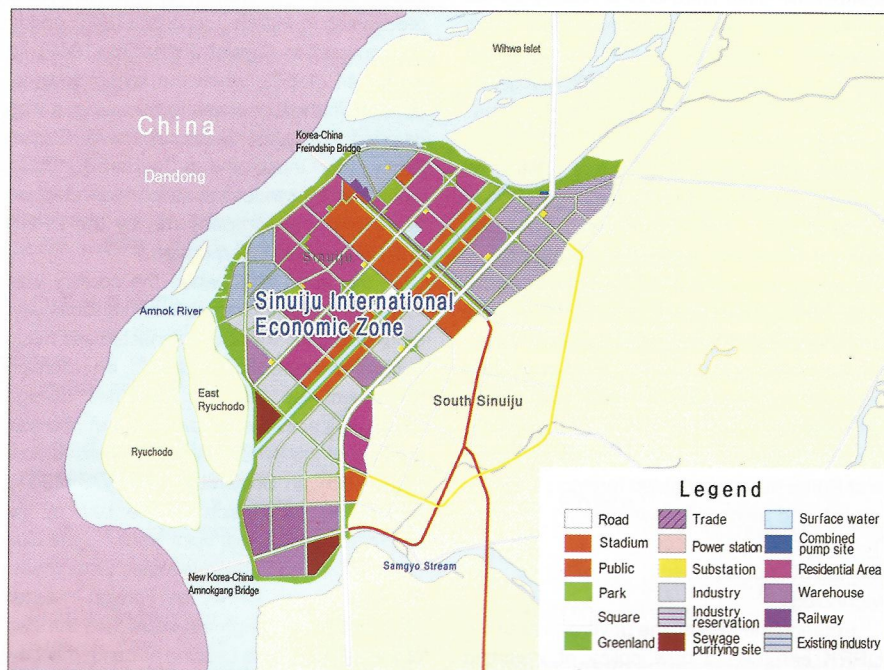
The enterprise income tax on the businesses which have operated for more than 10 years in the economic zones will be exempted or reduced.

Businesses in the economic zones are free to bring foreign currency in and out and remit legitimate profit and other returns out of the zones without limitation.

In the economic zones intellectual property rights are entitled to legal protection and such business activities as banking, insurance, accounting, legal counselling and weighing, as well as advertising and tourism, are permitted according to relevant regulations.

Foreigners and their transportation means can enter economic zones via designated routes visa-free, with passports or certificates equivalent to them.

The environment for investment in the economic zones in the DPRK will be steadily improved in the direction of enhancing their international competitiveness, thereby stimulating the willingness to invest in them on the international scale.



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