

# **Democratic People's Republic of Korea**

## **Hwanggumbyeong and Wihwado Economic Zone Law**

Adopted by Decree No. 2006 of the Standing Committee of the Supreme People's Assembly on December 3, 2011

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### **Chapter 1: Basics of the Economic Zone Law**

#### **Article 1 (Mission of the Hwanggumbyeong and Wihwado Economic Zone Law)**

The Hwanggumbyeong and Wihwado Economic Zone Law of the Democratic People's Republic of Korea aims to establish systems and order in the development and management of the economic zone, contributing to the expansion and development of external economic cooperation and exchanges.

#### **Article 2 (Status and Location of the Economic Zone)**

Hwanggumbyeong and Wihwado Economic Zone is a special economic zone of the Democratic People's Republic of Korea where preferential policies are implemented in the economic field. The Hwanggumbyeong and Wihwado Economic Zone includes the Hwanggumbyeong district and the Wihwado district in North Pyongan Province.

#### **Article 3 (Development and Industrial Composition of the Economic Zone)**

The development of the economic zone is carried out by district and by stages. The Hwanggumbyeong district is primarily developed for information industry, light industry, agriculture, commerce, and tourism, while the Wihwado district is developed according to the Wihwado development plan.

#### **Article 4 (Investors)**

Legal entities, individuals, and economic organizations from various countries around the world can invest in the economic zone. Korean compatriots residing outside the territory of our country can also invest in the economic zone according to this law.

#### **Article 5 (Guarantee of Economic Activity Conditions)**

Investors can freely establish companies, branches, offices, and engage in business activities in the economic zone. The state guarantees preferential economic activity conditions for investors in areas such as land use, labor employment, tax payment, and market entry.

#### **Article 6 (Encouraged, Prohibited, and Restricted Investment Sectors)**

The state particularly encourages investment in infrastructure construction, advanced

science and technology sectors, and sectors producing highly competitive products in the international market within the economic zone. Investments and business activities that hinder national security, public health, sound social moral life, environmental protection, or are economically and technologically backward are prohibited or restricted.

**Article 7 (Management and Operation of the Economic Zone, Principle of Non-Interference in Management Committee Affairs)**

The management and operation of the economic zone are undertaken by the Management Committee under the guidance and assistance of the Central Special Economic Zone Guidance Institution and the North Pyongan Provincial People's Committee. Except as stipulated in this law, other institutions cannot interfere in the affairs of the Management Committee.

**Article 8 (Protection of Investors' Rights and Interests)**

The property, legitimate income, and rights granted to investors in the economic zone are protected by law. The state does not nationalize or confiscate investors' property. If it is unavoidable to confiscate or temporarily use investors' property for public interest, the state must notify the investor in advance, follow the relevant legal procedures, and provide timely, sufficient, and effective compensation without discrimination.

**Article 9 (Guarantee of Personal Safety and Human Rights, Prohibition of Illegal Detention and Arrest)**

The personal safety and human rights of citizens in the economic zone are protected by law. Detention, arrest, and search of residence are not conducted without legal grounds. In matters related to personal safety and criminal cases, treaties concluded between our country and the relevant country are followed.

**Article 10 (Applicable Regulations)**

Economic activities such as development, management, and business operations in the economic zone are governed by this law and regulations, detailed rules, and guidelines for its implementation. If the economic zone regulations differ from the contents of treaties such as agreements, memorandums of understanding, and protocols concluded between our country and other countries, the treaties take precedence. If the regulations applied outside the economic zone differ from the economic zone regulations, the economic zone regulations take precedence.

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

**Article 11 (Principles of Economic Zone Development)**

The principles of economic zone development are as follows:

1. Ensuring comparative advantages of natural geographical conditions, resources, and production factors of the economic zone and its surroundings.
2. Saving and rational use of land and resources.
3. Protection of the ecological environment of the economic zone and its surroundings.
4. Enhancing international competitiveness in production and services.
5. Ensuring convenience in economic activities such as trade and investment.
6. Ensuring public interest.
7. Ensuring sustainable and balanced economic development.

#### **Article 12 (Development Plan and Its Modification)**

The development of the economic zone is carried out according to the approved development plan. Approval for changes to the development plan is granted by the institution that approved the original development plan.

#### **Article 13 (Development Method of the Economic Zone)**

In the Hwanggumpyeong district, the development method involves the development company leasing the entire area of land and comprehensively developing and managing it. The Wihwado district is developed according to the agreed method among the development parties.

#### **Article 14 (Approval of Development Companies)**

Approval of development companies is granted by the Central Special Economic Zone Guidance Institution through the issuance of a development business right approval certificate to the development company. The Management Committee handles the application for the issuance of the development business right approval certificate.

#### **Article 15 (Land Lease Contract)**

Development companies that have received the development business right approval certificate must sign a land lease contract with the land management institution. The land lease contract specifies the lease period, area and division, purpose, payment period and method of rent, and other necessary matters. The land management institution issues a land use certificate to the development company that has paid the land rent.

#### **Article 16 (Land Lease Period)**

The land lease period in the economic zone is up to 50 years from the date the land use certificate is issued to the company. Companies within the zone can continue to use the leased land by renewing the contract after the lease period ends.

**Article 17 (Demolition and Relocation of Buildings and Attachments)**

Institutions and enterprises responsible for demolition and relocation must demolish and relocate public buildings, residential houses, and attachments within the development area and relocate residents without hindering the development construction.

**Article 18 (Start of Development Construction)**

Development companies must start development construction as soon as the demolition and relocation of buildings and attachments within the development area are completed.

**Article 19 (Construction of Infrastructure and Public Facilities)**

Development companies are responsible for the construction of infrastructure and public facilities in the economic zone and have special management rights for them.

Development companies can involve other enterprises in the construction of infrastructure and public facilities.

**Article 20 (Transfer and Lease of Land Use Rights and Building Prices)**

Development companies have the right to transfer and lease developed land and buildings as the development plan and infrastructure construction progress. In this case, the transfer and lease prices are determined by the development company.

**Article 21 (Change and Registration of Land Use Rights and Building Ownership)**

Companies in the economic zone can transfer or lease land use rights and building ownership through sale, exchange, donation, inheritance, or mortgage within the validity period. In this case, they must register the change of land use rights and building ownership and receive a new land use certificate or building ownership registration certificate.

**Chapter 3: Management of the Economic Zone****Article 22 (Principles of Economic Zone Management)**

The principles of economic zone management are as follows:

1. Strict compliance and enforcement of regulations.
2. Ensuring the independence of the Management Committee and enterprises.
3. Providing preferential treatment for trade and investment activities.
4. Compliance with objective laws of economic development and market principles.
5. Reference to international practices.

**Article 23 (Establishment and Status of the Management Committee)**

A Management Committee is established in the economic zone to manage and operate the

zone. The Management Committee is a local management institution responsible for the development and management of the economic zone.

**Article 24 (Composition of the Management Committee)**

The Management Committee consists of a chairman, vice-chairman, secretary-general, and necessary members. The Management Committee has departments necessary for the development and management of the economic zone.

**Article 25 (Responsibility of the Management Committee)**

The chairman is the responsible person of the Management Committee. The chairman represents the Management Committee and oversees its operations.

**Article 26 (Business of the Management Committee)**

The Management Committee undertakes the following business:

1. Drafting rules necessary for the development and management of the economic zone.
2. Creating an investment environment and attracting investment.
3. Approval and registration of company establishment and business permits.
4. Announcing lists of encouraged, restricted, and prohibited investments.
5. Granting construction permits and conducting completion inspections.
6. Keeping construction design documents.
7. Establishing an independent financial management system for the economic zone.
8. Registering land use rights and building ownership.
9. Managing entrusted property.
10. Assisting business activities of enterprises.
11. Supervising and assisting the construction and management of infrastructure and public facilities.
12. Protecting the environment and implementing fire prevention measures in the economic zone.
13. Assisting the entry and exit of personnel, transportation means, and the import and export of goods.
14. Drafting regulations of the Management Committee.

15. Undertaking other tasks related to the development and management of the economic zone as entrusted by the Central Special Economic Zone Guidance Institution and the North Pyongan Provincial People's Committee.

#### **Article 27 (Convening of Enterprise Responsibility Meetings)**

The Management Committee can convene meetings of enterprise representatives. These meetings discuss important issues related to the development and management of the economic zone and business operations.

#### **Article 28 (Budget Preparation and Execution)**

The Management Committee prepares and executes the budget. In this process, documents related to budget preparation and execution must be submitted to the Central Special Economic Zone Guidance Institution and the North Pyongan Provincial People's Committee.

#### **Article 29 (Business of the North Pyongan Provincial People's Committee)**

The North Pyongan Provincial People's Committee undertakes the following business related to the economic zone:

1. Drafting detailed rules for the implementation of the economic zone law and regulations.
2. Ensuring labor necessary for the development, management, and business operations of the economic zone.
3. Undertaking other tasks related to the development and management of the economic zone as entrusted by the Central Special Economic Zone Guidance Institution.

#### **Article 30 (Business of the Central Special Economic Zone Guidance Institution)**

The Central Special Economic Zone Guidance Institution undertakes the following business:

1. Drafting development strategies for the economic zone.
2. Coordinating business relations with domestic institutions related to the development and construction of the economic zone.
3. Cooperating and liaising with governments of other countries.
4. Approving criteria for the establishment of enterprises.
5. Selecting domestic enterprises to invest in the economic zone.
6. Assisting in the domestic sale of products produced in the economic zone.

**Article 31 (Submission of Business Plans and Statistical Data)**

The Management Committee must submit annual business plans and statistical data of the economic zone to the Central Special Economic Zone Guidance Institution and the North Pyongan Provincial People's Committee.

**Chapter 4: Establishment, Registration, and Operation of Enterprises****Article 32 (Application for Establishment of Enterprises)**

Investors who wish to establish an enterprise in the economic zone must submit the enterprise establishment application documents to the Management Committee. The Management Committee must approve or reject the application within 10 days from the date of receipt and inform the applicant of the result.

**Article 33 (Registration of Enterprises and Legal Entity Status)**

Enterprises that have received approval for establishment must complete enterprise registration, customs registration, and tax registration within the specified period. Enterprises registered with the Management Committee become legal entities of our country.

**Article 34 (Rights of Enterprises)**

Enterprises in the economic zone have the right to independently establish management and production plans, sales plans, financial plans, labor employment, wage standards and payment methods, product prices, and profit distribution methods according to their regulations. Illegal interference in the business activities of enterprises is prohibited, and no costs or obligations not stipulated by law can be imposed.

**Article 35 (Approval for Change of Business Scope)**

Enterprises must conduct business activities within the approved scope. If they wish to expand or change their business scope, they must obtain approval from the Management Committee.

**Article 36 (Employment of Labor)**

Enterprises must prioritize the employment of our country's labor. If necessary, they must notify the Management Committee if they wish to employ labor from other countries.

**Article 37 (Minimum Monthly Wage Standard)**

The minimum monthly wage standard for employees working in enterprises in the economic zone is determined by the North Pyongan Provincial People's Committee in consultation with the Management Committee.

**Article 38 (Transactions with Enterprises Outside the Economic Zone)**

Enterprises can enter into contracts to purchase raw materials, materials, and goods

necessary for business activities from outside the economic zone or sell produced products. They can also entrust processing of raw materials, materials, and parts to institutions, enterprises, and organizations of our country.

#### **Article 39 (Prices of Goods and Services)**

The prices of goods and services traded between enterprises within the economic zone and between enterprises in the economic zone and institutions, enterprises, and organizations outside the economic zone are determined by mutual agreement based on international market prices. The prices of essential public goods such as food and basic necessities, and public service fees are determined by the North Pyongan Provincial People's Committee. In this case, financial compensation is provided for any losses incurred by enterprises.

#### **Article 40 (Bank Accounts of Enterprises)**

Enterprises must have bank accounts in banks established in the economic zone or foreign investment banks. If they wish to have bank accounts in banks of other countries outside our territory, they must obtain approval from the Management Committee. The procedures for establishing banks or bank branches in the economic zone are stipulated by regulations.

#### **Article 41 (Insurance and Establishment of Insurance Institutions)**

Enterprises and individuals in the economic zone must subscribe to insurance from insurance companies within our territory, and mandatory insurance must be subscribed to from designated insurance companies. Investors can establish insurance companies, and foreign insurance companies can establish branches and offices in the economic zone.

#### **Article 42 (Accounting of Enterprises)**

Enterprises in the economic zone must apply internationally accepted accounting standards for accounting calculations and settlements.

#### **Article 43 (Tax Payment Obligations and Corporate Income Tax Rate)**

Enterprises in the economic zone must pay the prescribed taxes. The corporate income tax rate is 14% of settlement profits, and the corporate income tax rate for specially encouraged sectors is 10% of settlement profits.

#### **Article 44 (Establishment and Registration of Branches and Offices)**

If enterprises wish to establish branches or offices in the economic zone, they must obtain approval from the Management Committee and register them. Branches and offices must complete tax registration and customs registration within the specified period from the date of registration with the Management Committee.

### **Chapter 5: Guarantee of Economic Activity Conditions**



**Article 45 (Simplification of Review and Approval Procedures)**

In the economic zone, various review and approval procedures related to economic activities are simplified through a unified and centralized processing method.

**Article 46 (Circulation and Settlement Currency)**

The economic zone circulates designated currencies. The circulation and settlement currencies are Korean Won or designated currencies. Procedures related to foreign exchange and exchange rates in the economic zone are stipulated by regulations.

**Article 47 (Import and Export of Foreign Currency, Profits, and Property)**

Foreign currency can be freely imported and exported in the economic zone, and legitimate profits and other income can be remitted outside the economic zone without restriction. Investors can freely take out property brought into the economic zone and property legally acquired in the economic zone.

**Article 48 (Protection of Intellectual Property Rights)**

Intellectual property rights in the economic zone are legally protected. The Management Committee establishes a system for the registration, use, and protection of intellectual property rights in the economic zone.

**Article 49 (Origin Management)**

Origin management in the economic zone is carried out by the origin management institution. The origin management institution conducts origin management of goods in accordance with economic zone regulations and international practices.

**Article 50 (Special Permit Management Rights)**

In the economic zone, infrastructure and public facilities can be managed as special permit targets. If enterprises with special permit management rights wish to transfer or share them with other enterprises, they must enter into a contract and obtain approval from the Management Committee.

**Article 51 (Purchase of Economic Zone Products)**

Institutions, enterprises, and organizations outside the economic zone can enter into contracts to purchase products produced or sold by enterprises in the economic zone.

**Article 52 (Emphasis on Contracts and Their Fulfillment)**

Enterprises must emphasize contracts, maintain credit, and faithfully fulfill contracts. Parties must adhere to the principles of equality and mutual benefit in the conclusion and fulfillment of contracts.

**Article 53 (Services Related to Business)**

In the economic zone, services related to business such as banking, insurance, accounting, legal, and metrology can be provided according to regulations.

**Article 54 (Approval for Advertising Business and Installation of Outdoor Advertisements)**

In the economic zone, advertising business and advertisements can be conducted according to regulations. If outdoor advertisements are to be installed, approval must be obtained from the Management Committee.

**Article 55 (Construction Standards and Technical Norms)**

Advanced construction standards, construction technology standards, and technical norms of other countries can be applied to construction design and construction in the economic zone.

**Article 56 (Tourism)**

The economic zone develops tourism resources such as natural scenery and folk culture to promote international tourism. Investors can engage in tourism business in the economic zone according to regulations.

**Article 57 (Use of Communication Means)**

In the economic zone, communication means such as mail, telephone, and fax can be freely used.

**Article 58 (Guarantee of Conditions for Entry and Exit of Personnel, Transportation Means, and Goods)**

Inspection, customs, quarantine institutions, and relevant institutions must ensure the swift and convenient entry and exit of personnel, transportation means, and goods for the development and business activities of the economic zone.

**Article 59 (Securities Trading)**

Foreign-invested enterprises and foreigners can trade securities in the economic zone according to regulations.

**Chapter 6: Encouragement and Preferential Treatment****Article 60 (Investment Methods)**

Investors can invest in the economic zone through various methods such as direct investment or indirect investment.

**Article 61 (Encouragement of Import and Export)**

Enterprises can enter into contracts for product transactions, technology trade, and

service trade with enterprises inside or outside the economic zone, and can also engage in import and export agency business.

#### **Article 62 (Exemption and Reduction of Corporate Income Tax)**

Enterprises operating for more than 10 years in the economic zone are exempted or reduced from corporate income tax. The period of exemption or reduction, the tax reduction rate, and the calculation start point of the exemption period are stipulated by relevant regulations.

#### **Article 63 (Preferential Treatment Related to Land Use)**

In the economic zone, land for enterprise use is provided first according to actual demand, and preferential treatment is given in terms of lease period, rent, and payment method based on the field and purpose of land use. Enterprises investing in infrastructure and public facilities, and specially encouraged sectors are given priority in land location selection and can be exempted from land use tax for the specified period.

#### **Article 64 (Refund of Income Tax for Reinvestment)**

If profits are reinvested to increase registered capital or establish new enterprises and operate for more than 5 years in the economic zone, 50% of the corporate income tax amount corresponding to the reinvestment is refunded. If reinvestment is made in the infrastructure construction sector, the entire corporate income tax amount corresponding to the reinvestment is refunded.

#### **Article 65 (Preferential Treatment for Development Enterprises)**

Development enterprises have priority in acquiring management rights for targets such as tourism and hotel businesses. Taxes are not imposed on the property, infrastructure facilities, and public facility operations of development enterprises.

#### **Article 66 (Preferential Treatment for Special Permit Management Operators)**

The Management Committee provides preferential treatment to special permit management operators to ensure they obtain reasonable profits.

#### **Article 67 (Entry and Exit of the Economic Zone)**

Foreigners and transportation means entering and exiting the economic zone can do so without a visa through designated channels with a passport or an entry certificate. The order for entering the economic zone from other regions of our country and the order for entering other regions of our country from the economic zone are separately stipulated.

#### **Article 68 (Preferential Tariff System and Tariff Exemption)**

A preferential tariff system is implemented in the economic zone. No tariffs are imposed on goods brought into the economic zone for processing trade, transit trade, compensation trade, goods necessary for production and business operations of enterprises, produced

export goods, office supplies and living supplies needed by investors, materials necessary for the construction of the economic zone, and other designated goods.

#### **Article 69 (Declaration System for Import and Export of Goods)**

The import and export of goods in the economic zone are subject to a declaration system. Enterprises or individuals intending to import or export goods must accurately complete the import/export declaration form and submit it to the customs office at the point of import/export.

#### **Article 70 (Provision of Convenience in Education, Culture, Medical Care, and Sports)**

The economic zone guarantees convenience in education, culture, medical care, and sports for residents and visitors.

### **Chapter 7: Complaints and Dispute Resolution**

#### **Article 71 (Complaints and Their Handling)**

Enterprises or individuals can file complaints with the Management Committee, the North Pyongan Provincial People's Committee, the Central Special Economic Zone Guidance Institution, and relevant institutions. The institution receiving the complaint must investigate and handle it within 30 days and inform the complainant of the result.

#### **Article 72 (Dispute Resolution through Mediation)**

The Management Committee or relevant institutions can mediate disputes at the request of the disputing parties. In this case, a mediation plan must be drafted based on the intentions of the disputing parties. The mediation plan becomes effective when signed by the disputing parties.

#### **Article 73 (Dispute Resolution through Arbitration)**

Disputing parties can submit disputes to domestic or foreign international arbitration institutions established in the economic zone by mutual agreement. Arbitration is conducted according to the arbitration rules of the relevant international arbitration committee.

#### **Article 74 (Dispute Resolution through Litigation)**

Disputing parties can file lawsuits with the competent court of the economic zone or the court established in the economic zone. Administrative litigation procedures in the economic zone are separately stipulated.

### **Supplementary Provisions**

#### **Article 1 (Effective Date of the Law)**

This law is effective from the date of promulgation.

**Article 2 (Interpretation Authority of the Law)**

The interpretation of this law is vested in the Standing Committee of the Supreme People's Assembly.