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# The Gaeseong Industrial Zone Support Act

Legislation No. 8484  
ENACTED ON AUGUST 26, 2007

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## Chapter I General Provisions

### Article 1 (Purpose)

The purpose of this Gaeseong Industrial Zone Support Act (hereinafter referred to as the "Act") is to provide the necessary matters related to supporting and protecting the residents (including juridical persons, and applied hereafter) of the South making investments in, entering and exiting or staying in the Industrial Zone, thereby promoting the exchange and cooperation between the South and the North and further contributing to a balanced development of the national economy.

### Article 2 (Definitions)

As used in this Act, the following terms shall be defined as follows:

1. "Gaeseong Industrial Zone" means the industrial zone developed and established in the area of Gaeseong located in the North, in accordance with the agreement between the South and the North.
2. "Concessionaires of the Gaeseong Industrial Zone" means the residents of the South designated as developer pursuant to the Gaeseong Industrial Zone Act of the North, after having obtained approval regarding a cooperative project under the Inter-Korea

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- Exchange and Cooperation Act.
3. "Gaeseong Industrial Zone Management Committee" means a juridical person established under the Gaeseong Industrial Zone Act of the North for the purpose of operation and management of the Industrial Zone.
  4. "Local Enterprise of Gaeseong Industrial Zone" means an enterprise established by a resident(s) of the South within the Gaeseong Industrial Zone, after having obtained approval regarding a cooperative project under the Inter-Korea Exchanges and Cooperation Promotion Act, including its branches, sales offices and liaison offices.
  5. "Entry and Exit" or "Stay" shall have the same meaning as used in the Agreement on Entry to, Departure from and Stay within the Gaeseong Industrial Zone and the Mt. Geumgang Tourist Zone."
  6. Other terms and expressions not defined separately herein shall have the meanings assigned to them in the Inter-Korea Exchange and Cooperation Act and the Inter-Korea Relations Promotion Act.

**Article 3 (Government Policy, etc.)**

- ① The Government shall establish and execute its policies for fostering and developing the Gaeseong Industrial Zone as an international industrial estate and take measures necessary for providing support to the same.
- ② The Government shall create the conditions that will help the development of the Gaeseong Industrial Zone and the management activities by enterprises operating therein to be consistently pursued on the basis of the economic principles and the autonomy of such enterprises and shall also endeavor to support such development and management activities.

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③ In developing the Gaeseong Industrial Zone, the Government shall establish and put in force its policies for promoting the welfare of the residents living both in the South and the North and securing their industrial safety and shall also provide support so that it can be created as an environment-friendly industrial zone.

④ The Government shall endeavor to have Inter-Korean economic exchange and cooperation take root and grow in accordance with the applicable principles and practices of transactions among the Korean people and shall also endeavor to receive recognition thereof from the international society.

⑤ If deemed necessary for developing the Gaeseong Industrial Zone, the Minister of Unification may request necessary support from the heads of the central government agencies, local governments and related agencies and other concerned organizations.

#### **Article 4 (Composition of the Council for Development and Support of the Gaeseong Industrial Zone)**

① In order to confer on and coordinate the matters related to developing and supporting the Gaeseong Industrial Zone, a council for the development and support of the Gaeseong Industrial Zone (hereinafter referred to as the "Council") shall be established within the Ministry of Unification. Members of the Council shall be composed of public officials from the concerned government agencies and civilian experts from agencies and organizations concerned.

② The Council shall be chaired by the Deputy Minister of Unification and the total membership shall not exceed 20 persons, including the chairman.

③ The required matters regarding its duties, composition and operation shall be provided in the Presidential Decree.

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### **Article 5 (Relations to Other Laws)**

This Act shall apply, with priority over other laws with respect to matters concerning, to the support for, entry into and exit from, and trade with the Gaeseong Industrial Zone.

## **Chapter II Support of Development and Investment**

### **Article 6 (Support for Developing the Industrial Zone)**

① The Government may take necessary measures for providing financial support in order for the smooth creation and operation of the Gaeseong Industrial Zone..

② Infrastructure such as roads, water, railroads, communication and electricity required to facilitate the creation of the Gaeseong Industrial Zone may be provided, with priority, by suppliers of such facilities under Article 29.1 of the Industrial Sites and Development Act; provided, however, that, regarding such infrastructure provided by the Government, the Government may have it installed by Concessionaires through consignment.

③ In providing support pursuant to paragraphs ① and ② above, the Government may assume expenses, provide facilities and funds in accordance with the proviso to Article 28.1, Articles 29 and 46 of the Industrial Sites and Development Act. In such a case, the Gaeseong Industrial Zone shall be deemed to be a State-run Industrial Complex under Article 2.5.a of the Industrial Sites and Development Act.

④ In case any expenses have been provided by the Government, with regard to the infrastructure in paragraph ② above, to a person engaging in a business other than that of developing industrial complexes as provided in Article 2.6 of the Industrial Sites and Development Act, the Minister of Unification may cause such person

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to pay a contribution-to-facilities in an amount equal to the expenses so provided.

⑤ The Minister of Unification shall determine the major issues regarding the content of development projects, the size and method of support, etc. mentioned in paragraphs ① through ③ above, through deliberation and resolution by the Inter-Korea Exchange and Cooperation Promotion Council (hereinafter referred to as the "Inter-Korea Exchange and Cooperation Promotion Council") pursuant to Article 4 of the Inter-Korea Exchange and Cooperation Promotion Council Act.

⑥ The required matters regarding provision of support, payment of contribution, deliberation and resolution by the Inter-Korea Exchange and Cooperation Promotion Council pursuant to paragraphs ① through ⑤ above shall be provided in the Presidential Decree.

#### **Article 7 (Provision of Small & Medium Business Structural Enhancement Loans)**

① The Government may provide local enterprises with the small & medium business structural enhancement loans for the projects under Article 67.2 of the Promotion of Small and Medium Enterprises and Encouragement of Purchase of Their Products Act.

② The required matters regarding the use of loans pursuant to paragraph ① above shall be provided in the Presidential Decree.

#### **Article 8 (Support for Industrial Safety and Prevention of Industrial Accidents)**

① The Government may provide local enterprises with the supports for industrial safety and prevention of industrial accidents under Article 6 of the Korea Occupational Safety & Health Agency Act.

② In providing supports in paragraph ① above, part of the powers

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and duties of the Korea Occupational Safety & Health Agency may be entrusted to the Gaecheon Industrial Zone Management Committee.

**Article 9 (Support for Environmental Protection)**

① For the purpose of environmental protection of the Gaecheon Industrial Zone, the Government may provide local enterprises with administrative and financial support under Articles 34 and 35 of the Framework Act on Environmental Policy. In such a case, local enterprises shall be deemed to be a concessionaire under Article 34 of the Framework Act on Environmental Policy.

② For the purpose of providing such support as mentioned in paragraph ① above, the Government may have the Environmental Management Corporation or other organizations carry out any of such projects as prescribed in Article 16.1 of the Environmental Management Corporation Act.

**Article 10 (Support for Energy Rationalization)**

① The Government may provide local enterprises with support under Article 21 of the Energy Rationalization Act, Article 8 of the Integrated Energy Supply Act and Article 28 of the New & Renewable Energy Development Promotion Act.

② The required matters regarding the supports mentioned in paragraph ① above shall be provided in the Presidential Decree.

**Article 11 (Provision or Lending of Inter-Korea Cooperation Fund)**

The Government may provide or lend to local enterprises the inter-Korea cooperation fund under the Inter-Korea Fund Act .

**Article 12 (Application of Other Governmental Support Systems)**

In addition to the supports to local enterprises under this Act, other

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business support systems designed for development of workforce and technology, training, management innovation and stabilization, export promotion, etc. under other laws may be applied to the Gaecheon Industrial Zone as prescribed in the relevant Presidential Decree.

### **Chapter III. Protection of People Entering, Exiting and Staying in the Gaecheon Industrial Zone**

#### **Article 13 (Application of the Act regarding Social Insurance)**

① The following laws shall apply to local enterprises and the residents of the South (excluding any juridical persons) (hereinafter referred to as "Workers from the South") employed by them.

1. National Pension Act
2. National Health Insurance Act
3. Employment Insurance Act
4. Industrial Accident Compensation Insurance Act
5. Act on Collection of Employment Insurance and Industrial Accident Compensation Insurance Premiums

② Local enterprises and Workers from the South shall be deemed to be employers (business proprietors) and workers respectively under each of the laws in paragraph ① above.

③ In applying the laws listed in paragraph ① above, Workers from the South working or staying in the Gaecheon Industrial Zone shall be deemed to be working or staying in the South.

④ In applying the laws listed in paragraph ① above, part of the powers or duties of the Minister of Labor, National Pension Service, National Health Insurance Corporation, Korea Labor Welfare Corporation, etc. may be entrusted to the Gaecheon Industrial Zone Management Committee in accordance with the provisions of the Presidential Decree.

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⑤ In addition, the other matters required for applying the laws listed in paragraph ① above shall be provided in the Presidential Decree.

**Article 14 (Medical Institutions, etc.)**

① If a person falling within the category of Article 33.2 of the Medical Service Act has obtained approval regarding a cooperative project under the Inter-Korea Exchange and Cooperation Act and established a medical facility within the Gaecheon Industrial Zone in order to operate the same mainly for the residents of the South, such medical facility shall be deemed to be a medical institution under Article 3 of the Medical Service Act and a treatment institution under Article 40 of the National Health Insurance Act.

② When a resident of the South entering into, exiting from or staying in the Gaecheon Industrial Zone receives any medical service from a medical facility under paragraph ① above, the said resident shall be paid treatment benefits under Article 39 of the National Health Insurance Act.

③ A medical institution established pursuant to paragraph ① above shall pay medical benefits under Article 7 of the Medical Benefit Act to the residents of the South who are entering into and exiting from and staying in the Gaecheon Industrial Zone and having the right to receive such medical benefits in accordance with Article 3 of the Medical Benefit Act.

④ The required matters regarding approval of cooperative projects, recognition of medical institutions and treatment institutions, and payment of medical benefits pursuant to paragraphs ① through ③ above shall be provided in the Presidential Decree.

**Article 15 (Application of the Laws related to Working Conditions)**

① The following laws shall apply to local enterprises and their Workers from the South:



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1. Labor Standards Act
  2. Minimum Wages Act
  3. Employees' Retirement Benefit Guarantee Act
  4. Wage Claim Guarantee Act
  5. Trade Union and Labor Relations Adjustment Act

② In applying the laws listed in paragraph ① above, part of the powers or duties of the Minister of Labor and/or labor supervisors may be entrusted to the Gaeseong Industrial Zone Management Committee in accordance with the provisions of the Presidential Decree.

③ In addition, the other matters required for applying the laws listed in paragraph ① above shall be provided in the Presidential Decree.

## **Chapter IV Special Cases concerning Taxes, Travel and Trade**

### **Article 16 (Reduction and Exemption of Taxes)**

If deemed necessary to encourage investment in the Gaeseong Industrial Zone, the Government may grant the residents of the South making investments in the Gaeseong Industrial Zone a reduction or exemption of taxes in accordance with the relevant provisions of the Restriction of Tax Reduction and Exemption Act.

### **Article 17 (Special Cases concerning Travel and Trade)**

① Section 3 of Chapter VI and Sections 1 and 2 of Chapter IX of the Customs Act shall apply to the goods being traded in the Gaeseong Industrial Zone and the vehicles entering & exiting and operating in the Gaeseong Industrial Zone, mutatis mutandis. Notwithstanding the foregoing, there may be provided special cases for simplifying the relevant procedure based on the applicable principle of transactions among the Korean people.

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② In applying the provisions of Article 9.3 of the Inter-Korea Exchange and Cooperation Act to a person holding a multiple visit certificate issued under Article 9.2 of the aforesaid act for the purpose of coming out of and going to the Gaecheon Industrial Zone, there may be provided special cases concerning exemption of the obligation to making a report as to each visit.

③ In order to simplify the procedure for immigration inspection of the residents of the South coming out of and going to the Gaecheon Industrial Zone, there may be provided special cases concerning Article 11 of the Inter-Korea Exchange and Cooperation Act.

④ The extent of special cases and the applicable criteria for simplifying the regulations mentioned in paragraphs ① through ③ above shall be provided in the Presidential Decree.

⑤ The detailed particulars required for enforcing the special cases concerning simplification pursuant to paragraph ① or ③ above shall be set forth by the Minister of Justice or Commissioner of the Korea Customs Service through deliberation and resolution by the Inter-Korea Exchange and Cooperation Promotion Council.

## **Chapter V The Gaecheon Industrial Zone Management Committee.**

### **Article 18 (The Gaecheon Industrial Zone Management Committee)**

① The Gaecheon Industrial Zone Management Committee shall have the powers of a juridical person to the extent that is required for the operation and management of the Gaecheon Industrial Zone.

② The Government may provide such funds, personnel, goods, etc. as required for the operation and management of the Gaecheon Industrial Zone, if necessary.

③ The Gaecheon Industrial Zone Management Committee may

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maintain an office in the South.

**Article 19 (The Gaeseong Industrial Zone Support Foundation)**

① The Government shall establish a Gaeseong Industrial Zone Support Foundation (hereinafter referred to as the "Foundation") in order to support the development and operation of the Gaeseong Industrial Zone.

② The Foundation shall be a juridical person and shall be deemed to be duly established when its establishment has been registered with the registry having jurisdiction over the address of its main place of business.

③ The Foundation shall engage in the following business:

1. Preparation and execution of the measures necessary for supporting development of the Gaeseong Industrial Zone;
2. Providing support to the Gaeseong Industrial Zone Management Committee and rendering guidance & control of its operation;
3. Preparation and execution of the measures necessary for supporting local enterprises operating in the Gaeseong Industrial Zone;
4. Issuance of certificates and treating civil petitions on behalf of the Gaeseong Industrial Zone Management Committee, and;
5. Other business designated by the Minister of Unification

④ Operation of the Foundation shall be financed by the funds listed below:

1. Contribution or subsidy by the Government;
2. Borrowings;
3. Profits generated from business pursued by it for profit; and
4. Other income

Notwithstanding the provisions of the State Properties Act, the Government may grant or loan state properties, free of charge, in accordance with the relevant provisions of the Presidential Decree

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if necessary for the promotion of the businesses mentioned in paragraph ③ above .

⑤ If the Foundation is dissolved, its residual property shall become vested in the State pursuant to the provisions of its articles of incorporation.

⑥ Provisions of the Civil Code regarding incorporated foundations shall apply, mutatis mutandis, except as provided herein with respect to the Foundation.

⑦ In addition, other necessary matters regarding establishment, composition and operation of the Foundation shall be provided in the Presidential Decree.

#### **Article 20 (Dispatch of Public Officials)**

① If deemed necessary to support the development, operation and management of the Gaeseong Industrial Zone and promote the inter-Korea economic cooperation, the Government may dispatch public officials or non-public officials to the North for a given period so as to serve in the Gaeseong Industrial Zone Management Committee or otherwise.

② The Government may provide the expenses required for carrying out the business mentioned in paragraph ① above.

③ The dispatch of public officials in paragraph ① above shall be as provided in the Inter-Korea Relations Promotion Act, while the required matters in relation to the dispatch of non-public officials shall be provided in the Presidential Decree.

#### **Addenda <No.8484, dated May 25, 2007>**

①(Enforcement Date) This Act shall come into effect on the date falling three months after proclamation.

②(Liquidation of the Gaeseong Industrial Zone Support Association)

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The Gaeseong Industrial Zone Support Association established as a corporate juridical person prior to the effective date of this Act shall be liquidated contemporaneously with giving effect hereto and the rights and obligations of the juridical person so liquidated shall be comprehensively succeeded by the Gaeseong Industrial Zone Support Foundation under Article 19 hereof.

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# The Enforcement Decree of the Gaeseong Industrial Zone Support Act

Presidential Decree No. 20281  
Enacted on September 20, 2007

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## Chapter I General Provisions

### Article 1 (Purpose)

The purpose of this Enforcement Decree (hereinafter referred to as the "Enforcement Decree") is to prescribe matters delegated to it by the Gaeseong Industrial Zone Support Act and also the necessary matters for enforcement thereof.

### Article 2 (Duties of the Council for Development and Support of the Gaeseong Industrial Zone)

The Council for Development and Support of the Gaeseong Industrial Zone(hereinafter referred to as "Council") under Article 4 of the Gaeseong Industrial Zone Support Act (hereinafter referred to as "Act") shall discuss and coordinate the following matters:

1. Any significant matters regarding the Industrial Zone Development Plan (which refers to the basic plan for developing the Gaeseong Industrial Zone, prepared by concessionaires of the Gaeseong Industrial Zone this definition shall apply hereinafter)
2. Any significant matters related to supporting the local enterprise(s) located within the Gaeseong Industrial Zone and constructing infrastructure therein;

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3. Any significant matters requiring consultation and/or coordination among the relevant departments concerned in relation to the matters mentioned in paragraphs 1 and 2 above; and
  4. Any other matters presented by the Council Chairman on the agenda of the Council's meeting.

**Article 3 (Composition of the Council)**

① Members of the Council shall be appointed or nominated by the Minister of Unification among the persons falling under any of the following categories.

1. One (1) government official designated by each of the heads of the following departments or agencies among those included in the Senior Executive Service of such departments or agencies: the Ministry of Finance and Economy, Ministry of Unification, Ministry of Commerce, Industry and Energy, Ministry of Information and Communication, Ministry of Health and Welfare, Ministry of Environment, Ministry of Labor, Ministry of Communication and Transportation, Ministry of Planning and Budget, National Intelligence Service, Office for Government Coordination, Korea Customs Service and Small Business Administration and
2. Those with professional knowledge and experience in inter-Korean relations and the Gaecheon Industrial Zone.

② If the chairman of the Council (hereinafter referred to as "Chairman") is unable to perform his/her duties for unavoidable reasons, another member of the Council designated in advance by the Chairman for such purpose shall act on his/her behalf.

③ The Council shall have an executive secretary, who will be nominated by the Chairman.

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④ The term of office of the Council members appointed or nominated hereunder shall be one (1) year; provided, however, that they may be re-appointed or re-nominated.

**Article 4 (Operation of the Council)**

- ① All meetings of the Council shall be called by the Chairman.
- ② Chairman may have the relevant government officials or experts attend and be heard at the Council's meeting, if he/she deems it necessary to do so in order for the Council to carry out its business.
- ③ Allowances and traveling expenses may be paid, within the applicable budget, to those persons falling under the category of Article 3.1.2 hereof and attending a meeting of the Council and also those persons attending and expressing their opinions at the Council's meeting at the request of Chairman.
- ④ Any other necessary matters regarding the Council's operation shall be provided in a decree of the Ministry of Unification.

## **Chapter 2 Support of Development and Investment**

**Article 5 (Provision of Funds)**

Funds, as itemized below, may be provided by the Government pursuant to Article 6.1 of the Act:

- 1. Construction cost of water supply facilities;
- 2. Construction cost of sewerage and wastewater terminal treatment facilities, etc; and
- 3. Any other cost and expenses prescribed by the Minister of Unification for the purposes of facilitating the creation and operation of the Gaeseong Industrial Zone.



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### **Article 6 (Provision of Infrastructure)**

① The following infrastructure may be provided, with priority, by the Government or suppliers of such facilities, pursuant to Article 6.2 of the Act:

1. Roads and railroads;
2. Water supply facilities, electricity & communication facilities and gas facilities
3. Sewerage and wastewater terminal treatment facilities, and waste disposal facilities
4. Utility-pipe conduits within the Gaeseong Industrial Zone
5. Integrated energy supply facilities; and
6. Any other necessary public facilities for developing the Gaeseong Industrial Zone, as prescribed by the Minister of Unification.

② Korea Electric Power Corporation shall install in advance the necessary electrical facilities up to the roads specified in the Gaeseong Industrial Zone Development Plan that is being implemented by Concessionaires with approval from the Minister of Unification regarding a cooperative project pursuant to Article 17 of the Inter-Korea Exchange and Cooperation Act.

③ The Government may provide funds to suppliers of such facilities as mentioned in paragraph ① above.

### **Article 7 (Procedure for Support)**

The procedure prescribed in the Inter-Korea Cooperation Fund Act shall apply where any support under Articles 5 and 6 hereof is given by the Government, using the Inter-Korea Cooperation Funds.

### **Article 8 (Prior Consultation)**

The Minister of Construction and Transportation shall consult with

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the Minister of Unification and the Minister of Planning and Budget in advance, if he/she bears any cost and expenses, provides any facilities or funds under the proviso to Article 28.1, and Articles 29 and 46 of the Industrial Sites and Development Act, pursuant to Article 6.3 of the Act.

**Article 9 (Investment Support)**

① Pursuant to Article 12 of the Act, the Government may provide the local enterprises with the support prescribed by the following acts.

1. Framework Act on the Promotion of Cultural Industry
2. Act on Special Measures for the Promotion of Venture Businesses
3. Act on Special Measures for Support of Small Enterprises and Small Commercial and Industrial Businessmen
4. Act on the Promotion of Enterprises run by Businesswomen
5. Act on Encouragement of Business Activities by Disabled Persons
6. Special Act on Fostering Traditional Markets and Shopping Areas
7. Framework Act on Small and Medium Enterprises
8. Act on the Promotion of Technological Innovation by Small and Medium Enterprises
9. Act on the Promotion of Business Transition by Small and Medium Enterprises
10. Special Act on Support of Manpower for Small and Medium Enterprises
11. Act on Promotion of Small and Medium Enterprises and Encouragement of Purchase of Their Products
12. Support for Small and Medium Enterprise Incorporation Act
13. Small and Medium Enterprise Cooperative Act
14. Regional Credit Guarantee Foundation

② The Government shall ensure that the support for the local

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enterprises under paragraph 1 above and also under Articles 7 through 10 of the Act will be provided on the basis of the substantially the same criteria as support provided for the enterprises located in the South.

③ The support under paragraph ② above may be provided through a resident of the South who has established a local enterprise after having obtained approval concerning a cooperative project pursuant to Article 17 of the Inter-Korea Exchange and Cooperation Act, if it is deemed necessary to do so, taking into account the local circumstances of the Gaeseong Industrial Zone.

### **Chapter III Protection of Those Entering and Exiting and Staying**

#### **Article 10 (Incorporation and Operation of Branch Offices)**

① For the purposes of applying the provisions of Articles 13.1 and 15.1.4 of the Act, National Pension Service, National Health Insurance Corporation and Korea Labor Welfare Corporation may establish within the Gaeseong Industrial Zone their branch offices under the National Pension Act, National Health Insurance Act and Industrial Accident Compensation Insurance Act, respectively.

② In the case of establishing branch offices within the Gaeseong Industrial Zone pursuant to paragraph ① above, the organizations mentioned in paragraph ① above may establish and operate their joint office(s). In this case, the necessary matters for the establishment and operation of such a joint office shall be determined by the Minister of Unification, the Minister for Health and Welfare and the Minister for Labor through consultation.

③ If no branch office is established within the Gaeseong Industrial Zone, each of the organizations mentioned in paragraph ① above may have the aforesaid affairs performed by its branch office having

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jurisdiction over the area bordering the North ("border area", which mean Dorasan-ri, Jangdan-myeon, Paju, Gyeonggi-do; hereinafter this definition shall apply.)

**Article 11 (Jurisdiction)**

① The Health Insurance Review & Assessment Service's affairs related to application of the provisions of Article 13.1.2 of the Act shall be performed by the head of its branch office having jurisdiction over the border area.

② The affairs prescribed by the Minister of Labor, among those of the employment security office related to application of the provisions of Article 13.1.3 of the Act, shall be performed by the head of its branch office having jurisdiction over the border area.

③ The powers or duties granted or imposed on special/metropolitan city mayors, governors of ordinary/special autonomous provinces or mayors/county chiefs/ ward chiefs (referring to the chiefs of autonomous ward offices) under Articles 33, 37, 38, 40, 45, 48, 61 and 67 of the Medical Service Act in relation to the establishment and operation of medical facilities pursuant to Article 13.1.2 of the Act shall be exercised or performed by the Governor of Gyeonggi Province or the Mayor of Paju City, as applicable.

④ In applying the provisions of Article 15.1 of the Act, the following powers related to the local enterprises located within the Gaeseong Industrial Zone and workers from the South working therein shall be exercised by the chief of the relevant regional labor office having jurisdiction over the border area:

1. Powers delegated to the chief of the relevant regional labor office pursuant to Article 106 of the Labor Standards Act and Article 59 of the Enforcement Decree of the aforesaid act
2. Powers delegated to the chief of the relevant regional labor office

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- pursuant to Article 26.2 of the Minimum Wages Act and Article 21.2 of the Enforcement Decree of the aforesaid act
3. Powers delegated to the chief of the relevant regional labor office pursuant to Article 30 of the Employees' Retirement Benefit Guarantee Act and Article 25 of the Enforcement Decree of the aforesaid act
  4. Powers delegated to the chief of the relevant regional labor office pursuant to Article 23 of the Wage Claim Guarantee Act and Article 24 of the Enforcement Decree of the aforesaid act and
  5. Powers delegated to the chief of the relevant regional labor office pursuant to Article 87 of the Trade Union and Labor Relations Adjustment Act and Article 33 of the Enforcement Decree of the aforesaid act

⑤ In applying the provisions of Article 15.1 of the Act, the following powers or duties related to the local enterprises and workers from the South working in the Gaecheon Industrial Zone shall be exercised or performed by the relevant Labor Relations Commission having jurisdiction over the border area:

1. Powers or duties of the Labor Relations Commission under the Labor Standards Act; and
2. Powers or duties of the Labor Relations Commission under the Trade Union and Labor Relations Adjustment Act

⑥ In applying the provisions of Article 15.1 of the Act, the following powers related to the local enterprises and workers from the South working in the Gaecheon Industrial Zone shall be exercised by the relevant labor supervisor having jurisdiction over the border area:

1. Powers of a labor supervisor under Article 102 of the Labor

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Standards Act; and

2. Powers of a labor supervisor under Article 26 of the Minimum Wages Act

⑦ In applying the provisions of Article 15.1.5 of the Act, the respective officials shown on the opposite of the following divisions shall be deemed to be the competent administrative agencies under the Trade Union and Labor Relations Adjustment Act:

1. The following trade unions and unit labor unions: the Minister of Labor
  - a. A trade union being an association of labor unions; and
  - b. A unit labor union organized across the Gaeseong Industrial Zone and other special/metropolitan cities, provinces/special autonomous provinces.
2. A unit labor union organized across the Gaeseong Industrial Zone and other cities/counties/wards (referring to autonomous wards): the Governor of Gyeonggi Province.
3. A unit labor union organized within the Gaeseong Industrial Zone: the Mayor of Paju City

#### **Article 12 (Other Matters Required for Application)**

① In applying the respective provisions of Articles 13.1 and 15.1 of the Act, the number of full-time workers shall be calculated solely on the basis of the workers from the South. The foregoing provision shall also apply to calculating their payroll.

② If the employer of a local enterprise, which is subject to any of the provisions of Article 13.1 or 15.1 of the Act, fails to fulfill any of his/her obligations under the aforesaid provisions of the Act, the Minister for Health and Welfare or the Minister of Labor may request the Minister of Unification to take the necessary measures against

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the relevant resident of the South having invested in the said local enterprise, including the order for adjustment of the relevant cooperative project under Act 18 of the Inter-Korea Exchange and Cooperation Act.

③ If a person having established a medical institution within the Gaeseong Industrial Zone in accordance Article 14 of the Act fails to fulfill any of his/her obligations under the Medical Service Act, Medical Benefit Act and National Health Insurance Act, the heads of the relevant administrative agencies concerned may request the Minister of Unification to take the measures set forth in paragraph ② above.

④ Any other matters necessary for applying the provisions of Articles 13 through 15 of the Act shall be publicly notified by the Minister for Health and Welfare or the Minister of Labor.

## **Chapter IV Special Cases concerning Taxes, Traffic and Trade**

### **Article 13 (Application for Registration of Vehicle)**

A person who intends to pass through the area between the South and the Gaeseong Industrial Zone, using a road vehicle, shall submit an application for registration as a passing vehicle to the chief of the Border Area Customs Office (which refers to the customs office designated by the Commissioner of the Korea Customs Service as the customs office having jurisdiction over the place of entry and exit under Article 2.1.2 of the Enforcement Decree of the Inter-Korea Exchange and Cooperation Act and this definition shall apply hereinafter). If, with respect to the matters required for registration of such vehicle, the chief of the Border Area Customs Office can confirm through the computerized system a document authorizing operation of the transportation equipment in question in accordance

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with Article 20 of the Inter-Korea Exchange and Cooperation Act, the application for the said authorization of operation thereof shall be deemed to be an application for registration as a passing vehicle.

**Article 14 (Issuance of Passing Vehicle Certificate)**

① Upon receipt of an application for registration as a passing vehicle, the chief of the Border Area Customs Office shall issue a passing vehicle certificate in accordance with the procedure prescribed by the Commissioner of the Korea Customs Service.

② The passing vehicle certificate under paragraph ① above may be issued in the form of an electronic card or a certificate with computer-readable codes attached, in which case the chief of the Border Area Customs Office may entrust the Minister of Unification with the affairs of issuing such certificates.

③ Any other matters required for issuance of passing vehicle certificates, including the procedure for issuing the same and validity thereof, shall be prescribed by the Commissioner of the Korea Customs Service.

**Article 15 (Confirmation of Entry and Exit and Report of Arrival and Departure)**

① A person who intends to enter or exit the Gaeseong Industrial Zone using a road vehicle shall present the passing vehicle certificate to the customs officer for confirmation of his/her entry or exit when entering or exiting the Gaeseong Industrial Zone.

② If a passing vehicle certificate has been issued in the form of an electronic card, etc. pursuant to Article 14.2 hereof, such confirmation of entry and exit under paragraph ① above shall be replaced by confirmation thereof using an electronic reader.

③ With respect to a vehicle having followed the procedure for confirmation of entry and exit pursuant to paragraph ② above, part



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or all of the accompanying documents required under Articles 149 and 150 of the Customs Act may be exempt from submission to the extent that may be determined by the Commissioner of the Korea Customs Service.

**Article 16 (Filing a Report and Inspection of Goods Being Transported)**

① A person intending to transport any goods into or out of the Gaecheon Industrial Zone shall file with the chief of the competent customs office a report concerning such goods in accordance with the procedure prescribed by the Commissioner of the Korea Customs Service.

② The report concerning the goods being transported under paragraph ① above shall be filed by transmitting to the customs clearance system the information required for such a report prepared in the form of electronic documents. In the case of any goods designated as those for which the relevant documents prescribed by the Commissioner of the Korea Customs Service are required to be submitted, the aforesaid information shall have been first transmitted to the customs clearance system and, then, such relevant documents shall be submitted to the chief of the competent customs office, together with the report concerning the goods being transported.

③ In connection with the provisions of paragraph ② above, submission of such relevant documents may be allowed to be omitted to the extent that may be determined by the Commissioner of the Korea Customs Service if it is deemed necessary to do so for the purpose of supporting the development of and investment in the Gaecheon Industrial Zone.

④ Pursuant to the provisions of Article 17.1 of the Act, the chief of the competent customs office may selectively inspect the goods

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being transported into or out of the Gaeseong Industrial Zone.

⑤ Even in the case of the goods selected as the subject for inspection, the chief of the competent customs office may omit such inspection with respect to the goods if he/she deems unnecessary to make any inspection for the purpose of customs clearance and control or monitoring and regulation, to the extent that may be determined by the Commissioner of the Korea Customs Service.

⑥ The Commissioner of the Korea Customs Service may determine and publicly notify the necessary matters related to the type and forms of the documents required to be submitted and the criteria for selecting the goods with respect to which the relevant documents are to be submitted, pursuant to paragraph and above, as applicable, and the criteria for the selective inspection under paragraph above.

#### **Article 17 (Exemption from Filing a Visit Report)**

Pursuant to Article 17.2 of the Act, a resident of the South entering or exiting the Gaeseong Industrial Zone who holds a multiple visit certificate duly issued may be exempted by Minister of Unification from the obligation to file a visit report in relation to the approved period of visit, to the extent that may be determined by Minister of Unification.

#### **Article 18 (Review of Entry and Exit)**

Pursuant to Article 17.3 of the Act, residents of the South entering and exiting the Gaeseong Industrial Zone shall be exempt from submission of an entry or exit report required under Article 21.2 of the Enforcement Decree of the Inter-Korea Exchange and Cooperation Act. Notwithstanding the foregoing provision, they may be required to submit such entry or exit report if there exist such circumstances as publicly notified by the Attorney General, including a failure of the computerized system

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## **Chapter V Gaeseong Industrial Zone Management Committee, etc.**

### **Article 19 (Support for the Gaeseong Industrial Zone Management Committee)**

If the head of any administrative agency intends to provide funds, manpower or goods for the Gaeseong Industrial Zone Management Committee pursuant to Article 18.2 of the Act, he/she shall consult with the Minister of Unification in advance with respect to the object and method of such support, etc. If such support provided for the Gaeseong Industrial Zone Management Committee involves any financial expenditure, the head of such administrative agency shall also consult with the Minister for Planning and Budget in advance.

### **Article 20 (Articles of Incorporation)**

① The Articles of Incorporation of the Gaeseong Industrial Zone Support Foundation (hereinafter referred to as "Foundation") under Article 19 of the Act shall include the following information:

1. Purpose
2. Name
3. Principal place of business and branch offices
4. Officers and employees
5. Board of directors
6. Assets and accounting
7. Budget and the settlement of accounts
8. Amendment to the Articles of Incorporation
9. Incorporation, revision and repeal of by-laws
10. Public notice

② In order to amend its Articles of Incorporation, the Foundation

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shall obtain authorization from the Minister of Unification.

**Article 21 (Matters to be included in the Incorporation Registration)**

Registration of incorporation under Article 19.2 of the Act shall include the following information:

1. Purpose
2. Name
3. Location of principal place of business
4. Names and addresses of officers
5. Method of public notice

**Article 22 (Officers)**

- ① The Foundation shall have not more than nine (9) directors, including one(1) President, and also one (1) auditor.
- ② President and other directors (not exceeding three (3) persons), and auditor shall be appointed on a full-time basis.
- ③ President shall be appointed by the Minister of Unification.
- ④ Directors and auditor shall be appointed by the Minister of Unification on the recommendation of President.
- ⑤ The term of office of President shall be three (3) years and that of a director and an auditor shall be two (2) years, respectively, and each of them may be re-appointed for another term of one (1) year.
- ⑥ The number of directors and that of full-time directors shall be provided in the articles of in corporation.

**Article 23 (Duties of Officers)**

- ① President shall represent the Foundation, manage its overall business and also direct and supervise its employees.
- ② Full-time directors shall take charge of the Foundation's business as provided in the articles of incorporation and shall act as President

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according to the order prescribed in the articles of incorporation if the President is unable to perform his/her duties for unavoidable reasons.

③ Auditor shall audit the Foundation's business and accounting.

#### **Article 24 (Board of Directors)**

① The Board of Directors shall be established to deliberate on and resolve significant matters with respect to the Foundation's business.

② The Board of Directors shall be composed of all directors, including the President.

③ President shall call the Board of Directors' meetings and preside at all of such meetings.

④ A quorum for the holding of a meeting of the Board of Directors shall be a majority of all directors then in office and all resolutions of the Board of Directors shall be adopted by the affirmative votes of a majority of directors present at the meeting in which a quorum is present.

⑤ Auditor may attend the Board of Directors' meetings and express his/her opinion.

#### **Article 25 (Appointment and Dismissal of Employees)**

The Foundation's employees shall be appointed and dismissed by the President in accordance with the relevant provisions of the articles of incorporation.

#### **Article 26 (Transfer or Loan of State Property without Consideration)**

① Transfer or loan of any state property under Article 19.4 of the Act shall be subject to the relevant agreement entered into between the authority concerned having control ("controlling authority concerned") over the said property and the Foundation.

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② If the national property so transferred or loaned, free of charge, (hereinafter referred to as "Property") pursuant to paragraph ① above is used by the Foundation for any purpose other than for the purpose contemplated by such transfer or loan, the controlling authority concerned may terminate or cancel the transfer or loan agreement.

**Article 27 (Management of State Property Transferred or Loaned without Consideration)**

① The Minister of Unification shall oversee the Foundation's use of such Property to ensure that it will be used for the rightful purposes thereof.

② The Foundation shall prepare its Property operation plan and submit the same to the Minister of Unification each year.

③ The Minister of Unification may require the Foundation to make a report on the status of its managing the Property or provide the relevant data related thereto and, in addition, to cause the government officials belonging to it to audit the status of management thereof or taking any other necessary measures.

④ In the event that the Property loaned to the Foundation, free of charge, that is located within the Gaeseong Industrial Zone has been registered by the Foundation in its name in accordance with the relevant provisions of DPRK's Gaeseong Industrial Zone Act and Gaeseong Industrial Zone Real Estate Regulations, it shall be deemed that measures have been duly taken by the controlling authority concerned to preserve the Foundation's rights to the said state property in accordance with Article 11 of the State Properties Act.

⑤ In addition to those provided in paragraphs through above, any other necessary matters related to such transfer or loan of any state property without consideration shall be prescribed by a decree of the Ministry of Unification.

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**Article 28 (Request for Dispatch of Government Officials, etc.)**

The Foundation may request, through the Minister of Unification, the relevant departments or public agencies to dispatch any of their government officials, officers and/or employees whenever the Foundation deems it necessary to do in order to attain its purposes.

**Article 29 (Dispatch of Officers, Employees, etc.)**

The Foundation may dispatch any of its officers and/or employees to the Gaeseong Industrial Zone Management Committee to work therewith.

**Article 30 (Fiscal Year)**

The Foundation's fiscal year shall be the same as that of the government.

**Article 31 (Submission of Business Plan, etc.)**

① The Foundation shall submit the following documents to the Minister of Unification for approval:

1. Business plan and budget for each fiscal year;
2. Actual result of business for each fiscal year; and
3. Revenues and expenditure statement for each fiscal year, as audited by the certified public accountant or auditing firm designated by the Minister of Unification.

② In order to revise any significant content of the business plan mentioned in subparagraph 1 of paragraph ① above, the Foundation shall submit in advance to the Minister of Unification for approval a business plan stating the content to be revised and the reasons for such revision, together with a budget.

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**Article 32 (DIRECTION and Supervision, etc.)**

- ① The Minister of Unification shall direct and supervise the Foundation.
- ② The Minister of Unification may require the Foundation to make a report on the matters that he/she deems necessary with respect to its business, accounting and property and, in addition, to cause the government officials belonging to it to inspect any of the documents and goods owned by the Foundation.
- ③ Upon such a report or inspection pursuant to paragraph ② above, the Minister of Unification may require the Foundation to make a correction or rectification or take any other necessary measures if he/she deems it necessary to do so.

**Article 33 (Procedure for Dispatch of Non-government Official)**

- ① When a person other than a government official is to be dispatched by the Minister of Unification to DPRK to work with the Gaeseong Industrial Zone Management Committee pursuant to Article 20 of the Act, the necessary matters related to his/her dispatch (including the cause and duration of dispatch, and the procedure thereof) shall be determined by the Minister of Unification through consultation with the head of the agency or organization to which the said despatchee belongs.
- ② If it is required to dispatch to DPRK a person(s) other than a government official for the purpose of supporting the development, management and operation of the Gaeseong Industrial Zone and also promoting inter-Korean economic cooperation, the Minister of Unification may request the head of the relevant agency or organization to recommend a person(s) to be dispatched, by specifying the description of job, number and title of such person(s).



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## **Addenda <No.20281, dated September 20, 2007>**

### **Article 1 (Enforcement Date)**

This Enforcement decree shall come into effect on the date of announcement hereof.

### **Article 2 (Preparation of Foundation's Incorporation)**

① The Minister of Unification shall nominate not more than five (5) persons ("Incorporating Members") to deal with the affairs related to the Foundation's incorporation, within thirty (30) days from the effective date of the Act.

② The aforementioned Incorporating Members shall prepare the Foundation's articles of incorporation and submit the same to the Minister of Unification for authorization.

③ Upon authorization as per paragraph above, the Incorporating Members shall register the Foundation's incorporation with their joint signature, without delay.

④ Once registration of the Foundation's incorporation has been completed, the Incorporating Members shall hand over the affairs of the Foundation to the President of the Foundation without delay.

⑤ The Incorporating Members shall be deemed to have been dismissed when the affairs of the Foundation has been duly handed over as provided in paragraph ④ above.



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# The Gaeseong Industrial Zone Act of the DPRK

By the political order issued by the Standing Committee  
of the Supreme People's Assembly (20 November 2002)  
Revised first on 24 April 2003 by political order No. 3715

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## Chapter 1 General Provisions

### Article 1

The <sup>1)</sup>Gaeseong Industrial Zone (hereinafter referred to as "Industrial Zone") is a special zone designed for the development of industry, trade, commerce, finance, and tourism of the Democratic People's Republic of Korea (hereinafter referred to as "DPRK"). The Gaeseong Industrial Zone Act (hereinafter referred to as "Act") strictly establishes a system for, and order in, the development and management of the Industrial Zone, contributing to the development of the economy of the Republic of Korea (hereinafter referred to as "ROK") and the DPRK.

### Article 2

For the development of the Industrial Zone, developers will be leased designated land to prepare the site, construct necessary infrastructure, and attract investment. The Industrial Zone will be divided into separate areas according to purpose, such as an industrial area, commercial area, living area, and tourism area.

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1) Gaeseong is the spelling used in South Korea, North Koreans call the city Kaesong.

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### **Article 3**

Those qualified to invest in the Industrial Zone include ROK citizens, Koreans living overseas, foreign investors, and foreign-invested enterprises. Investors are freely permitted to establish an enterprise, set up branches, subsidiaries, or representative offices, and engage in economic activities. In the Industrial Zone, they are entitled to preferential treatment in recruiting workers, utilizing land, paying taxes, etc.

### **Article 4**

Investment or business activities that may endanger or hinder the security of the DPRK, have an adverse effect on public health or the environment, or engage in technically backward fields shall not be permitted. The State particularly encourages investment in the sectors of infrastructure construction, light industry, and high-tech industry.

### **Article 5**

Overall guidance for business activities in the Industrial Zone is provided by the Central Special Zone General Bureau (hereinafter referred to as the "General Bureau") through the Gaeseong Industrial Zone Management Committee (hereinafter referred to as the "Management Committee").

### **Article 6**

State agencies, enterprises, and organizations shall not intervene in the activities of the Industrial Zone. Should unavoidable circumstances make such intervention necessary, prior consultation shall be made with the General Bureau.

### **Article 7**

The State, subject to the Acts of the DPRK, shall guarantee the

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legal rights and interests of foreign investors and foreign-invested enterprises. The investors' assets shall not be nationalized. Should unavoidable circumstances, e.g., those affecting the public good, make such an intervention necessary, prior consultation shall take place with the investors concerned and fair compensation shall be paid.

**Article 8**

No citizens of the ROK, Korean nationals living overseas, or foreigners may be placed under control or be arrested; nor can their bodies and homes be searched without a legal warrant. Personal security matters and criminal cases shall be handled pursuant to existing inter-Korean agreements, or any preceding treaties concluded with foreign countries.

**Article 9**

Economic activities in the Industrial Zone shall be conducted pursuant to this Act and its enforcement regulations. Matters not specified in the content of these rules shall be handled by agreement between the General Bureau and Management Committee.

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

**Article 10**

Development of the Industrial Zone shall be carried out by designated developers. Designation of the developers shall be carried out by the General Bureau.

**Article 11**

The developers shall enter into a land-leasing contract with the General Bureau. The General Bureau shall present a certificate of

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land-use rights issued by the relevant organ to the developers.

**Article 12**

The leasing period shall be fifty (50) years from the date of the issuance of a land-use rights certificate. Use of the land may continue after expiration of the leasing period, if the lease-holding business makes such an application.

**Article 13**

Developers shall accurately draw up the general development plan for the Industrial Zone and submit it to the General Bureau for assessment. The Bureau shall notify the developers of the assessment results within thirty (30) days of the plan's receipt.

**Article 14**

Development of the Industrial Zone shall be conducted according to the general development plan as approved. If modification of the plan is required, an application must be submitted to the General Bureau for approval.

**Article 15**

The General Bureau shall move and remove buildings and adjoining structures, and relocate residents in time for the commencement of construction work. The cost of moving and removing within the development Industrial Zone shall be borne by the developers.

**Article 16**

The developers shall commence construction work upon completion of the removal of buildings and adjoining structures in the development Industrial Zone. Development may proceed in stages.

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**Article 17**

For purposes of infrastructure construction, such as facilities for electric power supply, communication, and water supply, developers, if necessary, may partner with other investors, outsource construction, or assign construction to another entity as necessary.

**Article 18**

Upon completion of infrastructure construction, the developers shall establish an enterprise according to the general development plan. They may sell or lease their land-use rights and buildings this enterprise.

**Article 19**

The developers may engage in business such as housing construction, tourism and entertainment, or advertising.

**Article 20**

The General Bureau and relevant organs shall guarantee appropriate conditions for the passage of personnel and materials to and from the Industrial Zone so that Industrial Zone development will not be hampered.

## **Chapter 3 Management of the Industrial Zone**

**Article 21**

Management of the Industrial Zone shall be the responsibility of the Management Committee, under the guidance of the General Bureau. The Management Committee shall draw up and submit a quarterly report to the General Bureau on the state of Industrial Zone operations.

**Article 22**

Duties of the General Bureau are as follows:

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1. Select developers
  2. Provide guidance for the Management Committee's operation;
  3. Compose the detailed enforcement regulations for the Gaeseong Industrial Zone Act;
  4. Guarantee the supply of labor force, water, and materials as requested by the enterprises;
  5. Receive and store documents related to factory construction and design;
  6. Promote the sale of goods manufactured in the Industrial Zone in the markets of the DPRK;
  7. Manage the tax-related tasks in the Industrial Zone; and
  8. Perform other tasks assigned by the State.

#### **Article 23**

The General Bureau shall regularly consult with relevant parties on matters arising from the operation of the Industrial Zone. The parties shall cooperate fully with the General Bureau in regards to its activities.

#### **Article 24**

The Management Committee shall be composed of personnel recommended by the developers. The General Bureau may dispatch its members to work at the Management Committee, if the Committee makes such a request.

#### **Article 25**

The duties of the Management Committee are as follows:

1. Create appropriate conditions for and attract investment;
2. Approve business incorporation, issue registration certificates, and permit business operation;



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3. Permit construction work and inspect completed constructions;
  4. Issue registration certificates for land use rights, buildings, and vehicles;
  5. Support management activities of the enterprises;
  6. Manage infrastructure facilities;
  7. Protect the environment and prevent fires
  8. Issue certificates of passage for ROK personnel and vehicles entering and exiting the Industrial Zone;
  9. Draw up operating rules of the Management Committee; and
  10. Perform other tasks assigned by the General Bureau.

**Article 26**

The head of the Management Committee is the chairman, and the chairman is responsible for organizing and guiding the overall activities of the Management Committee.

**Article 27**

The Management Committee is entitled to financial resources to support its operation. The operating funds shall be derived from income such as commissions.

**Article 28**

Personnel from the ROK, Korean nationals living overseas, foreigners and vehicles entering and exiting the Industrial Zone with a passage certificate issued by the Management Committee may pass through a designated route of Gaeseong without a visa. Rules governing passage from other regions of the DPRK to the Industrial Zone and vice versa shall be arranged separately.

**Article 29**

The State shall provide sufficient modern conveniences in terms

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of cultural enrichment, health care, sports, and education to meet the demands of people who come from the ROK and overseas. They may also freely use postal services and communication services such as telephone and fax machines.

**Article 30**

ROK citizens, Koreans living overseas, and foreigners visiting, staying, and/or residing in the Industrial Zone may tour designated sites of revolutionary struggle, historic remains and heritage, scenic beauty, and natural monuments in Gaeseong. The People's Committee of Gaeseong City is responsible for adequately preserving and managing tourist-site facilities and providing required services for tourists.

**Article 31**

Advertising within the Industrial Zone shall not be subject to restrictions in terms of places, types, contents, delivery methods, and duration. In the case of outdoor advertising, however, approval of the Management Committee must be obtained.

**Article 32**

Transportation of commodities to and from the Industrial Zone is subject to a reporting system. Those who wish to transport commodities shall correctly complete a form detailing the transport of goods and submit it to the relevant customs officials.

**Article 33**

No customs duty is to be imposed on commodities coming from the ROK to the Industrial Zone (or vice versa), those heading overseas for export, and goods assigned to and manufactured by state organs, businesses, and organizations of the DPRK. Materials

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coming from overseas that are sold to other regions of the DPRK without being further processed may be subject to a customs duty.

**Article 34**

The quarantine and inspection office shall conduct, in a scientific and expeditious manner, the tasks of entry inspection, customs inspection, and hygiene and quarantine inspection of animals and plants to ensure the safety and security of the Industrial Zone and promote investment.

## **Chapter 4 Business Incorporation and Operation in the Industrial Zone**

**Article 35**

Investors who wish to operate a business in the Industrial Zone shall submit an application of business incorporation to the Management Committee. The Management Committee shall either approve or reject the application and notify the applicant of the result within ten (10) days of the application's receipt.

**Article 36**

Investors who have received the approval of business incorporation shall invest a designated amount of capital, register their business with the Management Committee, and within twenty (20) days thereafter complete customs and tax registration at the relevant office. In this case, designated documents shall be submitted.

**Article 37**

A business shall, in principle, employ nationals of the DPRK. Foreigners and ROK nationals may be employed for managerial positions or as technicians or skilled workers in special jobs, with

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the proper notification to the Management Committee. The Management Committee shall report such cases to the General Bureau.

**Article 38**

An enterprise shall operate only in the area where it received approval to operate a business. If an enterprise wishes to expand or modify its business field, it must first obtain the approval of the Management Committee.

**Article 39**

An enterprise may bring in materials needed for its operation from regions of the DPRK located outside of the Industrial Zone; it may also sell its products in the territory of the DPRK. An enterprise may entrust supply of materials and equipment, or processing of parts needed for its operation to state organs, enterprises, or organizations of the DPRK.

**Article 40**

The price of goods and service fees in the Industrial Zone, as well as the price of goods traded between the Industrial Zone-based enterprises and DPRK's state organs, enterprises, and organizations shall be determined according to an agreement between the parties concerned based on prices prevailing in the international market.

**Article 41**

The prevailing currency in the Industrial Zone shall be a convertible foreign currency, and other means such as a credit card may be used. Which type shall prevail, and which currency shall be the standard currency, shall be determined through an agreement between the Management Committee and General Bureau.

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**Article 42**

An enterprise shall open an account at a bank located in the Industrial Zone or, following prior notification to the Management Committee, at banks in the ROK or other countries.

**Article 43**

An enterprise shall accurately conduct its managerial accounting and pay taxes such as income tax, transaction tax, business tax, or local tax at the appointed time. The rate of corporate income tax in the Industrial Zone shall be fourteen (14) percent of the closing profit. The rate in the sectors of infrastructure construction, light industry, and high-tech industry shall be ten (10) percent.

**Article 44**

Foreign currency may be freely carried in and out of the Industrial Zone. Any legal profit and income earned from business activities may be remitted or carried to the ROK or other countries without paying taxes.

**Article 45**

If an enterprise wishes to establish branches, subsidiaries, or representative offices, it shall submit a relevant application to and obtain approval from the Management Committee. Branches and subsidiaries must register their business with the Management Committee in order to commence operation.

## **Chapter 5 Dispute Settlement**

**Article 46**

Any disagreement arising over the development and management of the Industrial Zone or business operations within shall be

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settled through consultation among the parties concerned. If the dispute cannot be settled through consultation, the parties may rely on dispute-settlement procedures agreed upon by the ROK and the DPRK, an arbitration process, or court proceedings.

### **Supplementary provisions:**

#### **Article 1**

This Act shall take effect from the date of its adoption.

#### **Article 2**

Any agreement made between the ROK and the DPRK over the Industrial Zone shall have the same validity as this Act.

#### **Article 3**

Interpretation of this Act shall be conducted by the Supreme People's Assembly Standing Committee.

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# The Gaeseong Industrial Zone Development Regulations

Adopted as Decision No.102 (dated April 24, 2003)  
by the Standing Committee of the Supreme People's Assembly

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## **Article 1 (Purpose)**

The purpose of these Regulations (hereinafter referred to as "Regulations") for Development of the Gaeseong Industrial Zone (hereinafter referred to as "Industrial Zone") is to provide in a complete and substantial manner the basic standards and rules applicable in the course of developing the Industrial Zone, in conformity with the Gaeseong Industrial Zone Act (hereinafter referred to as "Act"), thereby contributing to the effective development of the Industrial Zone.

## **Article 2 (Selection of Concessionaires)**

Selection of concessionaires (hereinafter referred to as "Concessionaires") for developing the Industrial Zone shall be the responsibility of the General Bureau. The General Bureau shall select such Concessionaires in accordance with the written agreement entered into by and between the Republic of Korea (hereinafter referred to as the "ROK") and the Democratic People's Republic of Korea (hereinafter referred to as the "DPRK").

## **Article 3 (Preparation of Master Development Plan)**

A Master Industrial Zone Development Plan (hereinafter referred to as "Master Development Plan") shall be prepared by Concessionaires. For this purpose, Concessionaires shall conduct land surveying

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and geological survey(s) and then develop the Master Development Plan, based on the results thereof. There shall be reflected in the Master Development Plan the land-use planning, infrastructure construction plan, block-by-block development plan, phased investment and project implementation plan, etc.

**Article 4 (Provision of Necessary Information and Data)**

The General Bureau shall guarantee that Concessionaires will be provided on time with the information and data necessary for developing the Master Development Plan, including the existing infrastructure survey report and meteorological and hydrological data.

**Article 5 (Deliberation and Approval of Master Development Plan)**

Concessionaires shall submit the complete Master Development Plan to the General Bureau. Within thirty (30) days from receipt from Concessionaires, the General Bureau shall have the Master Development Plan duly deliberated upon by the Cabinet and shall advise Concessionaires of the outcome of such deliberation. The Cabinet is entitled to require Concessionaires to revise, amend or supplement the same, as appropriate.

**Article 6 (Development of Industrial Zone as Planned and Modifications)**

Development of the Industrial Zone shall be carried out by Concessionaires in accordance with the approved Master Development Plan. If Concessionaires intend to proceed with the said development work in a manner that deviates from the Master Development Plan for any reason, Concessionaires shall submit to the General Bureau a proposal for modification thereof. The General Bureau shall review such proposal and notify Concessionaires



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of the result thereof, within twenty (20) days from the date of submission.

**Article 7 (Removal and Transfer of Buildings and Fixtures)**

Concessionaires shall consult and reach an agreement with the General Bureau in regards to demolition, removal and/or transfer of the buildings and fixtures, if any, existing within the site of the Industrial Zone to be developed hereunder. The General Bureau shall cause such buildings and fixtures to be demolished, removed and/or transferred in a timely manner, as the case may be, and shall have residents therein move out of the site in time, so as to cause no hindrance to such development work.

**Article 8 (Expenses for Removal and Transfer, etc.)**

The cost and expenses for removing and/or transferring the buildings and fixtures existing within the site of the Industrial Zone and having residents therein move out of the site shall be borne by Concessionaires. The amount of such cost and expenses to be borne by Concessionaires hereunder shall be determined by mutual agreement between the General Bureau and Concessionaires.

**Article 9 (Commencement of Development Work)**

The actual development work of the Industrial Zone may be carried out in phases. Concessionaires shall commence such development work, step by step, after demolition and removal of the buildings and fixtures existing within the site are completed.

**Article 10 (Construction of Infrastructure)**

Construction of infrastructure for the Industrial Zone shall be performed by Concessionaires. If necessary, a Concessionaire may construct such infrastructure as facilities for guaranteeing

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provision of electricity, communication and water supply, jointly with other investors, or have it constructed by a third party through assignment or consignment.

**Article 11 (Fee for Utilities)**

An investor in the infrastructure construction sector may register itself as an enterprise with the Management Committee of the Industrial Zone (hereinafter referred to as "Management Committee") and engage in business activities as well as collect fees from users of roads, electricity, gas or water. In such cases, the said fee shall be determined through consultation with the Management Committee.

**Article 12 (Infrastructure Outside the Industrial Zone)**

Construction of infrastructure connected to the Industrial Zone from outside shall be the responsibility of the General Bureau. In this case, the General Bureau may arrange for Concessionaires to guarantee on commercial terms the supply of equipment and materials necessary for construction of the infrastructure mentioned above. Alternatively, after consultation with the Concessionaires, the General Bureau may arrange for another investor(s) to construct and operate such infrastructure.

**Article 13 (Placement of Enterprises)**

Concessionaires shall ensure that enterprises as tenants shall be placed on a reasonable basis within the Industrial Zone. In connection with this, rights to the use of land within the Industrial Zone and buildings therein may be sold or leased to enterprises or investors, depending on the purpose of use thereof. Concessionaires may engage in the business of placing enterprises as tenants and selling or leasing rights to the use of land and buildings through

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consignment to the Management Committee.

**Article 14 (Construction Permit)**

The Management Committee is authorized to issue construction permits within the Industrial Zone. A person who wishes to construct a building or any other object requiring a construction permit shall submit to the Management Committee the plans and drawings of the said object and obtain a construction permit.

**Article 15 (Keeping Plans and Drawings on File)**

Once a construction permit has been issued, the Management Committee shall submit to the General Bureau a copy of the relevant plans and drawings related to the construction permit issued. The General Bureau shall receive and keep such plans and drawings on file.

**Article 16 (Handling of Historic Remains and Relics)**

If any historic remains and relics are discovered in the course of developing the Industrial Zone, it shall be immediately reported to the General Bureau. Upon receipt of such report, the General Bureau shall handle the historic remains and relics so discovered through consultation with the governmental agency(s) in charge.

**Article 17 (Guarantee of Terms and Conditions for Development Project)**

In order not to cause any hindrance to development of the Industrial Zone, the General Bureau and the respective governmental agencies concerned shall give Concessionaire a guarantee with respect to free access of Concessionaires' personnel to the Industrial Zone, daily life conveniences and free transportation of materials into and out of the Industrial Zone.

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**Article 18 (Provision of Labor, Water Supply and Materials)**

The General Bureau shall guarantee that Concessionaires will be provided, in a timely fashion, with the governmental support of the Republic, water supply, materials, etc. as required by the Concessionaires. If necessary, such a guarantee may also be backed up by an agreement entered into between Concessionaires and the governmental agency in charge, the enterprise or the DPRK's relevant organization.

**Article 19 (Concessionaires' Rights to Engage in Business)**

Concessionaires shall be granted the rights to engage in business, such as construction of infrastructure for the Industrial Zone, energy supply, transportation, storage and advertising. If necessary, Concessionaires are entitled to assign or consign to a third party the right to engage in any of the aforementioned business.

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# **Regulations for Business Establishment and Operation within the Gaeseong Industrial Zone**

Adopted as Decision No.103 (dated April 24, 2003)  
by the Standing Committee of the Supreme People's Assembly

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## **Article 1 (Purpose)**

The purpose of these Regulations (hereinafter referred to as "Regulations") for Business Establishment and Operation within the Gaeseong Industrial Zone (hereinafter referred to as "Industrial Zone") is to provide, in a complete and substantial manner, the procedure and order for the establishment, registration, and operation of enterprises within the Industrial Zone, in accordance with the Gaeseong Industrial Zone Act (hereinafter referred to as "Act"), thereby ensuring the convenience of enterprises seeking to carry out business activities.

## **Article 2 (Investors and Investment Sectors)**

ROK citizens, Koreans living overseas, and foreigners may invest in the Industrial Zone as individuals or as a legal entity or corporation. Investment sectors shall include, but not be limited to, manufacturing, construction, transportation, communication, technology, commerce, finance, and tourism.

## **Article 3 (Priority Sectors for Investment)**

Within the Industrial Zone, investors are strongly encouraged to establish enterprises involved in the sectors of infrastructure construction, light industry, and advanced technologies ("Priority

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Sectors"). Enterprises making investment in any of the Priority Sectors shall receive preferential treatment under the guarantee of the authority concerned, including tax reduction and exemption as well as the use of land under favorable terms and conditions. The management committee (hereinafter referred to as "Management Committee") of the Industrial Zone shall prescribe and give public notice of the business lines that are promoted, restricted, or prohibited within the Industrial Zone, in consultation with the General Bureau.

**Article 4 (Type of Business to be Established)**

Within the Industrial Zone, a broad range of enterprises may be established by investors through sole investment or joint investment with other investors.

**Article 5 (Bylaws of Enterprises)**

Each enterprise established within the Industrial Zone shall have its own internal bylaws. Such bylaws shall include, but not be limited to, the enterprise's name and address, purpose of establishment, business type and size, amount of total investment and registered capital, representation, duties and power of auditor or financial inspector, issuance of stocks and bonds, distribution of profits, dissolution and liquidation, and revisions of and supplements to its bylaws.

**Article 6 (Prerequisites for Business Operation and Registered Capital)**

Each enterprise established within the Industrial Zone shall have its members of management and employees, a fixed place(s) of business, and other resources that may be necessary to conduct its business activities. Its registered capital shall be ten percent

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(10%) or more of the total amount of investment.

**Article 7 (Authority for Approval and Registration of Enterprises)**

Approval and registration of enterprises to be established within the Industrial Zone shall be the responsibility of the Management Committee. The Management Committee shall prepare and enforce the working rules concerning the procedure for the approval and registration of enterprises to be established.

**Article 8 (Application for Business Establishment)**

An investor intending to establish an enterprise within the Industrial Zone shall submit an application to the Management Committee for establishment thereof. Such an application shall state the name of the proposed enterprise, the investor's name and address, the representative's name, the total amount of investment and registered capital, the business type and size, the duration of investment, the estimated annual revenue and profit, the management organization, the number of employees, etc., and shall be accompanied by a copy of the enterprise's bylaws, a certificate of its paid-in capital and credit standing, an economic and technical feasibility study report, and other necessary data and information.

**Article 9 (Processing of Application for Business Establishment)**

The Management Committee shall review an application for business establishment and approve or disapprove the same, within ten (10) days from receipt thereof. In a case where the application is approved, the Management Committee shall provide the applicant with a notice of approval thereof in writing, indicating the enterprise's name, investor's name, total amount of investment and registered capital, business type and size, investment

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period, members of management, number of employees, etc. If the application is not approved, the Management Committee shall provide the applicant with a notice of rejection in writing.

**Article 10 (Deadline for Making Investments)**

An investor that has obtained approval for business establishment shall make investments within the period specified in the notice of approval of business establishment. If such investments cannot be completed within the aforementioned period, the enterprise concerned shall submit to the Management Committee for approval an application to extend the deadline. The deadline for making investments may be extended by a maximum period of six (6) months.

**Article 11 (Mode of Investment)**

Investment may be in the form of monetary assets, in kind, or in the form of property rights. In this case, the value of such property or property rights shall be based on their respective international market prices at the time of investment.

**Article 12 (Application for Registration)**

Once an investor has made investments in an amount that is the same as or more than that of the registered capital of the enterprise, he/she shall submit an application to the Management Committee for business registration. In the event that Concessionaires carry out business activities within the Industrial Zone, they will also be required to submit an application for business registration.

**Article 13 (Contents of Application for Business Registration)**

Each application for business registration hereunder shall state the enterprise's name, investor's name and address, total amount of



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investment and registered capital, business type and size, the estimated date of commencement of operation, members of management, number of employees, etc., and shall be accompanied by a copy of each of the following: notice of approval of business establishment, certificate of registration of the land use rights, certificate of investments, and other necessary documents.

**Article 14 (Processing of Application for Business Registration)**

Within seven (7) days of receipt of an application for business registration, the Management Committee shall review the same and, in the case of approval thereof, shall issue a business registration certificate to the applicant or, in the event of rejection, shall advise the applicant of the reason for the rejection. The date of the business registration certificate shall be the date of the establishment of the enterprise concerned.

**Article 15 (Registration with Customs and Taxation Office)**

Each enterprise shall complete customs registration and tax registration within twenty (20) days from the date of receipt of the business registration certificate. Such registration shall be completed through the customhouse and the taxation office, respectively, having jurisdiction over the Industrial Zone.

**Article 16 (Scope of Business activities and Change of Business Line)**

Each enterprise shall carry out business activities within the scope of the approved line of business. Any expansion or change of the line of business shall be subject to the approval of the Management Committee.

**Article 17 (Issuance of Stocks and Bonds)**

Each enterprise may issue, transfer, or distribute stocks, bonds, and other securities in accordance with the relevant provisions of the bylaws.

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**Article 18 (Bringing Goods In and Out for Business Activities and Products)**

Each enterprise may freely bring into the Industrial Zone all Goods and materials necessary for its business activities therein, or bring out of the Industrial Zone the products produced and commodities purchased therein, without restriction,

**Article 19 (Reporting of Goods Transported)**

All goods being transported into or out of the Industrial Zone shall be subject to reporting under these Regulations. An enterprise intending to transport any goods in or out of the Industrial Zone shall make a report to the customhouse having jurisdiction over the place into or out of which goods will be transported and receive an inspection by the customhouse.

**Article 20 (Arrangement with the DPRK's Governmental Agencies, Businesses and Organizations)**

Each enterprise may purchase the goods necessary for its business activities and/or sell the products produced by it, under an agreement entered into, through the General Bureau, with the DPRK's governmental agencies, businesses, or organizations.

**Article 21 (Settlement of Accounts)**

Each enterprise shall settle its accounts on a semi-annual and annual basis. Annual statements of accounts shall be subject to verification of accounting.

**Article 22 (Establishment of Reserve Fund)**

Each enterprise shall establish a reserve fund out of the net profit for each fiscal year, after having paid the corporate income tax as prescribed by applicable laws. Five percent (5%) of the net profit

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for the year after settlement of accounts shall be appropriated to the reserve fund until the amount of the said fund equals ten percent (10%) of the registered capital. Such a reserve fund may be utilized by the enterprise only to increase its registered capital or make up its operating losses.

**Article 23 (Establishment of Other Funds)**

Each enterprise may establish and apply other funds at its own discretion, such as a Reward Fund, a Cultural & Welfare Fund, and an Education Fund.

**Article 24 (Profit Dividends)**

Each enterprise may distribute to its shareholders, as dividends, part or the whole of the net profit for the year after the settlement of accounts. Profit dividends may be paid out of the net income for the year after settlement of accounts, minus the corporate income tax paid and the amount appropriated to the reserve fund.

**Article 25 (Report on Dissolution)**

If an enterprise is to be dissolved, the enterprise shall cause its board of directors or a general meeting of shareholders to review and pass a resolution for its dissolution and shall file a dissolution report to the Management Committee. The enterprise shall be deemed to have been dissolved on the date of the filing of the dissolution report.

**Article 26 (Establishment of Liquidation Committee)**

Within ten (10) days after the date of the filing of a dissolution report, the enterprise concerned shall give public notice of its dissolution and establish a liquidation committee composed of five (5) to nine (9) members, including legal and accounting specialists designated by the said enterprise's representative, its creditors'

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representative and the Management Committee. The enterprise shall obtain approval of the Management Committee concerning the list of members of the liquidation committee.

**Article 27 (Commencement of Liquidation Procedure)**

The liquidation committee shall commence the procedure for the liquidation of the enterprise, within fifteen (15) days from the date of the Management Committee's approval of the list of members. The residual property of the enterprise entering into liquidation shall be first expended to cover the expenses incurred by the liquidation committee in relation to its duties hereunder.

**Article 28 (Duties of Liquidation Committee)**

The Liquidation Committee shall be responsible for the following:

1. Notify creditors and debtors of the enterprise's liquidation;
2. Hold creditors' meetings;
3. Take over and manage the enterprise's residual property;
4. Fix the enterprise's accounts (receivable and payable) and prepare a statement of financial position and a list of property;
5. Valuation of the enterprise's property;
6. Draft a liquidation proposal;
7. Pay any taxes and settle accounts receivable and payable;
8. Confirm the residual property after liquidation; and
9. Deal with any other issues arising in relation to the enterprise's liquidation hereunder.

**Article 29 (Payment of Tax on Residual Property)**

If the total value of residual property after liquidation exceeds the registered capital, the liquidation committee shall pay the sum equal to five percent (5%) of the aforesaid value in excess, as

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corporate income tax. Notwithstanding the foregoing provision, an enterprise having engaged in business for fifteen (15) years or longer within the Industrial Zone shall be exempted from such corporate income tax, with respect to the value of the residual property in excess.

**Article 30 (Disposal of Property of an Enterprise Having Filed a Dissolution Report)**

Having filed a dissolution report hereunder, the enterprise concerned may not dispose of any of its property at its discretion before completion of the procedure for liquidation. If there exist any residual property after liquidation, the enterprise concerned may dispose of the same within the Industrial Zone or transfer it outside the territory of the DPRK.

**Article 31 (Follow-up Following Liquidation Procedure)**

Upon conclusion of the liquidation procedure, the liquidation committee shall prepare a liquidation report and submit the same to the Management Committee, together with the business registration certificate, and further revoke the enterprise's business registration and registration with the customs and the taxation authorities, while also closing its account(s) at its banks.

**Article 32 (Business Registration by Branch, Sales Office or Individual)**

A branch or sales office of an enterprise or an individual intending to carry out any profit-making activities within the Industrial Zone, such branch, sales office or individual shall take the necessary steps for business registration with the Management Committee. In such cases, the Management Committee shall issue to the applicant an appropriate registration certificate.

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# Tax Regulations for the Gaeseong Industrial Zone

Adopted as Decision No.1 (dated September 18, 2003)  
by the Standing Committee of the Supreme People's Assembly

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## Chapter 1 General Provisions

### Article 1 (Purpose)

The purpose of these Tax Regulations (hereinafter referred to as "Regulations") for the Gaeseong Industrial Zone (hereinafter referred to as "Industrial Zone") is to provide in a complete and substantial manner the procedure and order of taxation within the Industrial Zone, thereby ensuring that taxes will be accurately assessed and paid.

### Article 2 (Subject of Application)

These Regulations shall apply to enterprises or individuals conducting any economic transactions or earning any income within the Industrial Zone. As used in these Regulations, the term "enterprise" will include any enterprise engaging in profit-making activities as well as its branch and sales offices, and the term "individual" includes any citizens of the ROK or overseas nationals, and nationals of any foreign country.

### Article 3 (Authorities Responsible for Taxation and Direction)

Assessment and imposition of taxes shall be the responsibility of the tax office having jurisdiction over the Industrial Zone (hereinafter referred to as "the Industrial Zone Tax Office"). The

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Industrial Zone Tax Office shall be under the direction of the General Bureau.

**Article 4 (Tax Registration by Enterprises)**

Tax registration shall be done with the Industrial Zone Tax Office, within twenty (20) days of the date of issuance of the business registration certificate. In such cases, the applicant shall submit an application for tax registration as well as a copy of its business registration certificate.

**Article 5 (Amendment to or Cancellation of Tax Registration by Enterprise)**

In case an enterprise is merged or split off, or in case a change in its registered capital or line of business has been registered, tax registration shall be amended accordingly within twenty (20) days from the date of such a merger, split-off, or registration. An enterprise being dissolved shall cancel its tax registration at least twenty (20) days prior to dissolution.

**Article 6 (Tax Registration by Individuals)**

An individual who has earned income, while staying for 182 days or longer within the Industrial Zone, shall complete tax registration within twenty (20) days. In such cases, the applicant shall submit an application for tax registration. An enterprise may take the necessary steps for tax registration on behalf of its employees.

**Article 7 (Issuance of Tax Registration Certificate)**

A tax registration certificate shall be issued within three (3) days of the receipt of the application for tax registration. In case a change in tax registration has been registered, the tax registration

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certificate shall be reissued.

**Article 8 (Language for Tax Documents)**

All of the tax documents within the Industrial Zone shall be prepared in the Korean language. If necessary, such documents may be prepared in a language other than the Korean language, in which case a translation into Korean shall be attached to the original.

**Article 9 (Type and Form of Tax Documents)**

The type and form of tax documents shall be designated by the Industrial Zone Tax Office, in consultation with the Management Committee.

**Article 10 (Preservation of Tax Documents)**

Tax documents shall be kept for five (5) years. However, annual statements of accounts and account books concerning fixed assets shall be kept throughout the lifetime of the enterprise.

**Article 11 (Currency for Calculation and Payment of Taxes)**

Calculation and payment of all taxes within the Industrial Zone shall be in U.S. dollars.

**Article 12 (Procedure for Tax Payment)**

In order to pay any tax, a taxpayer shall file a tax return with the Industrial Zone Tax Office and, upon confirmation by the said tax office thereof, pay the tax to the bank designated by the General Bureau. At this point, the bank shall issue to the taxpayer a certificate of tax payment while delivering to the Managing Committee a notice confirming receipt of the said tax from the taxpayer.



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**Article 13 (Treatment of Erroneous Payment)**

An enterprise or individual having paid any tax inaccurately may amend the tax return filed. In the case of corporate income tax, such an amended tax return shall be filed at least thirty (30) days prior to the deadline for such a tax payment for the following fiscal year and, in the case of individual income tax, inheritance tax, transfer tax, business tax, and city planning tax, it shall be filed within sixty (60) days from the respective due date for payment.

**Article 14 (Treatment of Overpaid or Unpaid Tax)**

When paying any additional tax due to amendment of any tax return, the taxpayer shall pay the total amount of unpaid tax plus an additional tax corresponding to five percent (5%) thereof. In the case of overpayment, the Industrial Zone Tax Office shall review the relevant tax return and refund the overpaid amount to the taxpayer concerned within thirty (30) days.

**Article 15 (Tax Registration and Due Date for Tax Payment)**

Tax registration shall be completed within the prescribed period, and the due date for tax payment shall be abided by. If a taxpayer is unable to complete tax registration or pay any tax within the given period due to a cause beyond his/her control, the taxpayer shall do so within ten (10) days from the date when such a cause no longer exists.

**Article 16 (Application of Agreements or Intergovernmental Agreements)**

If the DPRK enters into any tax-related agreement with the ROK or any other country, such agreement shall apply.

**Article 17 (Terms and Conditions of Tax Imposition and Exemption)**

No taxes other than those prescribed under these Regulations shall

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be assessed or imposed within the Industrial Zone. No tax shall be imposed on Concessionaires' property or their economic activities related to the development of the Industrial Zone.

## **Chapter 2 Corporate Income Tax**

### **Article 18 (Corporate Income Tax)**

Each enterprise shall pay corporate income tax on the income resulting from its business activities as well as other income earned otherwise within the Industrial Zone. Income earned through business activities shall include income from the sale of products or delivery of buildings, shipping charges and fees, etc. Other income shall include interest income, dividend income, rental income on fixed assets, income from the sale of assets, income from the provision of intellectual property and technical know-how, income from the provision of management services, donated income, etc.

### **Article 19 (Corporate Income Tax Rates)**

The corporate income tax rate applicable to enterprises doing business within the Industrial Zone shall be fourteen percent (14%) of the net profit for the year after the settlement of accounts. Notwithstanding the foregoing, the corporate income tax rate applicable to enterprises engaging in the sector of infrastructure construction, light industry, and advanced technology shall be ten (10%) of the net profit for the year after the settlement of accounts.

### **Article 20 (Method of Determining Net Profits for the Year)**

An enterprise's net profit for the year shall be determined by deducting from the gross income all of the costs incurred and any transaction tax or business tax assessed in relation to it. Itemized revenues, costs and expenses, time of calculation and method of

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valuation thereof shall be in accordance with the Accounting Regulations for the Gaeseong Industrial Zone.

**Article 21 (Calculation Period for Corporate Income Tax)**

The period applicable to calculation of corporate income tax shall begin on January 1 and end on December 31 of each calendar year. In the case of a newly established enterprise, such period shall begin on the date of the commencement of business and end on December 31 of the same year. For an enterprise being dissolved, such period shall begin on January 1 of the year of dissolution and end on the date of the announcement of dissolution.

**Article 22 (Method of Calculating Corporate Income Tax)**

Corporate income tax shall be calculated by applying to the net profit for the year the corresponding tax rate set forth in Article 19 hereof. An enterprise which is unable to calculate precisely the net profit for the year, or whose annual revenues from the sale of goods and services is less than US\$ 3 million, may pay its corporate income tax in an amount equal to two percent (2%) or one and a half percent (1.5%) of its annual revenues from the sale of goods and services.

**Article 23 (Choice of Calculating Method)**

Once an enterprise has chosen a method of calculating corporate income tax, the enterprise may not change the said method for three (3) years thereafter. An enterprise intending to change such method shall submit an application to the Industrial Zone Tax Office one (1) month prior to the end of the fiscal year.

**Article 24 (Operating Loss Recovery Period)**

An enterprise that has reported an operating loss for a fiscal year

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may recover such a loss through the net profit for the following fiscal years. The operating loss recovery period shall not exceed five (5) years.

**Article 25 (Deadlines for and Methods of Preliminary Payment and Final Payment)**

If an enterprise should pay corporate income tax for any fiscal year, it shall make a preliminary payment thereof within two (2) months from the end of the first six (6) months of that fiscal year and shall make a final payment thereof within three (3) months from the end of that fiscal year. In this case, if any corporate income tax has been overpaid by a taxpayer, it shall be refunded to that taxpayer. If an enterprise is found to have paid less than the full amount of its corporate income tax, such unpaid portion shall be paid by that enterprise to the tax office. If an enterprise is unable to calculate accurately its profit earned in the first six months of any fiscal year, it shall make a preliminary payment of corporate income tax in the amount equal to one-half (1/2) of the corporate income tax it paid for the immediately preceding fiscal year.

**Article 26 (Verification of Accounting)**

Each enterprise shall receive verification of accounting with respect to its annual statement of accounts for the fiscal year before making a final payment of corporate income tax for that fiscal year. An enterprise whose annual revenues from sales of goods and services are less than US\$ 3 million is not required to have its accounting verified.

**Article 27 (Deadline for and Method of Payment of Corporate Income Tax)**

Within three (3) months of the end of the fiscal year, each enterprise

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shall file an annual statement of accounts and a corporate income tax return with the Industrial Zone Tax Office and, upon confirmation thereof by the said tax office, pay such tax to the appropriate bank.

**Article 28 (Deadline for Tax Payment in the Case of Dissolution, Merger or Split-off)**

An enterprise being dissolved, merged, or split off shall pay corporate income tax within two (2) months of the date of announcement thereof.

**Article 29 (Reduction of and Exemption from Corporate Income Tax)**

An enterprise shall be eligible for reduction of, or exemption from, corporate income tax in the following cases:

1. If an enterprise has invested in any of the Priority Sectors (as defined in Article 3 of the Regulations for Business Establishment and Operation within the Gaeseong Industrial Zone) or in the manufacturing sector and operated for 15 years or longer, the enterprise shall be granted an exemption from paying corporate income tax for five (5) years, starting from the first fiscal year in which it generates a net profit, and a partial exemption of 50% for three (3) years thereafter.
2. If an enterprise has invested in the service sector and operated for 10 years or longer, the enterprise shall be granted an exemption from paying corporate income tax for two (2) years, starting from the first fiscal year in which it generates a net profit, and a partial exemption of 50% for one (1) year thereafter.
3. If an enterprise has reinvested any of its profits and operated for three (3) years or longer, the enterprise shall be granted

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a reduction of its corporate income tax payable in the following year by the amount of 70% of the reinvested sum.

**Article 30 (Reckoning of Reduction & Exemption Period)**

The period to which reduction of, or exemption from, corporate income tax hereunder applies shall be reckoned, in succession, from the first fiscal year when the enterprise concerned generates a net profit. Even if an operating loss is realized by the enterprise in any fiscal year of the aforementioned period, the fiscal year shall also be counted as part of the reduction and exemption period.

**Article 31 (Submission of an Application for Reduction and Exemption)**

An enterprise that wishes to be granted a reduction of or exemption from corporate income tax hereunder shall submit to the Industrial Zone Tax Office an application accompanied by those documents evidencing the number of years of its operation as well as its amount of re-investment. The application shall state the applicant's name, address, line of business, the first year in which a net profit was generated, the amount of its total investment, the name of its bank, its account number, etc.

**Article 32 (Condition for Collecting Corporate Income Tax)**

Once an enterprise has been granted a reduction of, or exemption from, any corporate income tax, such corporate income tax shall be collected from the enterprise if it withdraws from the Industrial Zone, is dissolved, or withdraws the reinvested capital prior to the end of the period set forth in Article 29 hereof.

**Article 33 (Tax Rates Applicable to Non-profit Branch, etc.)**

The following tax rates shall apply to other income earned within

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the Industrial Zone by an enterprise's branch, sales office, or liaison office not engaged primarily in for-profit activities, or by other enterprises, economic organizations or associations located outside the Industrial Zone:

1. Interest income: 10% of the amount of income;
2. Dividend income and rental income on fixed assets: 10% of the balance of the amount of income after deduction of 70% thereof; and
3. Income from sale of assets, income from provision of intellectual property rights and technical know-how, and income from provision of management services: 10% of the balance of the amount of income after deduction of 30% thereof.

**Article 34 (Deadline for and Method of Tax Payment by Non-profit Branches, etc.)**

If other income has been earned by an enterprise's branch, sales office, or liaison office not engaged primarily in for-profit activities, the profit center concerned shall file a tax return on or before the 10th of the month immediately following. In case other income has been earned within the Industrial Zone by other enterprises, economic organizations, or associations located outside the Industrial Zone, the unit paying such income shall withhold tax before making payment of such income and pay the tax so withheld on or before the 10th of the month immediately following.

## **Chapter 3 Individual Income Tax**

**Article 35 (Obligation to Pay Individual Income Tax)**

Each individual having earned income within the Industrial Zone shall pay individual income tax on such income. Individual income

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tax shall apply to wage/salary, interest income, dividend income, rental income on fixed assets income from sale of assets, income from the provision of intellectual property rights and technical know-how income from the provision of management services such as technical advisory services, training of skilled labor and consulting and donated income.

#### **Article 36 (Individual Income Tax Rates)**

Individual income tax rates shall be as follows:

1. Wage/salary: If the balance of the monthly wage/salary after a deduction of 30% thereof is US\$500 or more, the tax rates prescribed in Appendix 1 attached hereto shall apply.
2. Donated income: If the amount of donated income is US\$10,000 or more, the tax rates prescribed in Appendix 2 attached hereto shall apply.
3. Interest income: The tax rate shall be 10% of the amount of such income.
4. Dividend income and rental income on fixed assets: The tax rate shall be 10% of the balance of the amount of such income after a deduction of 70% thereof.
5. Income from the sale of assets, income from the provision of intellectual property rights and technical know-how, and income from the provision of management services: The tax rate shall be 10% of the balance of the amount of such income after a deduction of 30% thereof.

#### **Article 37 (Method of Calculating Individual Income Tax)**

Individual income tax shall be calculated as follows:

1. The individual income tax on wage/salary shall be calculated



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- by applying the tax rates prescribed in Appendix 1 attached hereto to the balance of the monthly wage/salary after a deduction of 30% thereof.
2. The individual income tax on donated income shall be calculated by applying to the amount of such income the tax rate prescribed in Appendix 2 attached hereto.
  3. The individual income tax on interest income shall be calculated by applying the tax rate of 10% to the amount of such income.
  4. The individual income tax on dividend income and rental income on fixed assets shall be calculated by applying a tax rate of 10% to the balance of the amount of such income after a deduction of 70% thereof.
  5. The individual income tax on income from the sale of assets, income from the provision of intellectual property rights and technical know-how, and income from the provision of management services shall be calculated by applying a tax rate of 10% to the balance of the amount of such income after a deduction of 30% thereof.

**Article 38 (Calculation of the Non-Cash Individual Income)**

In assessing individual income tax on goods or securities, their respective value shall be calculated on the basis of local market prices at the time of acquisition thereof by the taxpayer concerned.

**Article 39 (Deadline for and Method of Payment of Individual Income Tax)**

Deadline for and method of payment of individual income tax shall be as follows:

1. The individual income tax on wage/salary shall be withheld and paid by the unit paying such wage/salary, or paid by the beneficiary thereof, who shall also file a return of the same

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income tax, on or before the 10th of the month immediately following the month in which such wage/salary was earned. In the event that an enterprise, economic organization, or association located outside the Industrial Zone pays wage/salary on behalf of an enterprise, or its non-profit branch, sales office, or liaison office located within the Industrial Zone, such income tax shall be withheld and paid by the enterprise or its non-profit branch, sales office, or liaison office located within the Industrial Zone.

2. The individual income tax on income from sale of assets and donated income shall be paid by the beneficiary of such income, who shall also file a return of the same income tax, within 30 days from the date when such income has been earned.
3. The individual income tax on interest income, dividend income, rental income on fixed assets, income from provision of intellectual property rights and technical know-how and income from provision of management services shall be withheld and paid by the enterprise paying such income or paid by the beneficiary of such income, who shall also file a return of the same income tax, on or before the 10th of the month immediately following the month in which such wage/salary has been earned.

#### **Article 40 (Income Exempt from Individual Income Tax)**

The following income shall be exempt from individual income tax:

1. Income exempt from individual income tax under any agreement between the ROK and the DPRK, or between the DPRK and another country;
2. Income, such as interest on savings deposits, insurance benefits,

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- or other compensation under an insurance contract that is received from any financial institution in the DPRK; and
3. Interest on monies deposited by non-residents in bank(s) established within the Industrial Zone.

## **Chapter 4 Property Tax**

### **Article 41 (Obligation to Pay Property Tax)**

Each enterprise and individual shall pay property tax on those permanent buildings owned by that enterprise or individual within the Industrial Zone.

### **Article 42 (Taxpayer Obligated to Pay Property Tax)**

The person obliged to pay property tax on any buildings shall be the owner thereof as of January 1 of each year. A person who owns a building shall pay property tax on it, even when he/she has leased or hypothecated the building.

### **Article 43 (Registration of Buildings)**

A building owner shall register the building with the Management Committee by submitting an application for registration thereof, on or before the 20th of the month immediately following acquisition of the building. The application for registration shall state the owner's name and address, the building's name, unit, quantity, floor space, useful life, year of completion, acquisition cost and, in the case of a building purchased, the seller's name and address.

### **Article 44 (Registered Price of Buildings)**

The price of a building to be registered shall be based on its local market price at the time of acquisition thereof.

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**Article 45 (Re-registration of Buildings)**

When the price of a building already registered has changed, the owner may re-register the building with the Management Committee. A building owner who intends to re-register his/her building shall submit to the Management Committee a document certifying the altered price of the building.

**Article 46 (Assessment of Property Tax)**

Property tax shall be assessed on a building on the basis of its registered price. Upon registration of a building, the Management Committee shall issue a building registration certificate to the owner and deliver a copy thereof to the Industrial Zone Tax Office.

**Article 47 (Property Tax Rates)**

Property tax rates shall be as set forth in Appendix 3 attached hereto.

**Article 48 (Method of Calculating Property Tax)**

The property tax on any building shall be calculated by applying to its registered price the relevant tax rates specified in Appendix 3 attached hereto.

**Article 49 (Deadline for and Method of Payment of Property Tax)**

The Industrial Zone Tax Office shall issue a property tax notice to the owner of each building on or before the end of February every year, and each building owner shall pay the property tax within 30 days of receipt of said notice. The owner of a newly built building shall pay property tax on said building for the period from the date of registration thereof up to December 31 of the same year, within 30 days of the date falling five (5) years after the date of registration.

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**Article 50 (Refund of Overpaid Tax for Demolished Buildings)**

A building owner who has demolished his/her building shall submit to the Industrial Zone Tax Office an application for refund of property tax, accompanied by a building demolition certificate. The said application shall state the applicant's name and address, the building's name, date of demolition, amount of the property tax already paid and also the amount to be refunded. Upon receipt of such an application, the Industrial Zone Tax Office shall review its content and shall refund to the applicant the property tax for the period from the date of demolition up to December 31 of the same year, within 10 days from the date of demolition thereof.

**Article 51 (Exemption from Property Tax for a Newly Built Building)**

A person who owns a newly built building shall be exempted from paying property tax on said building for 5 years, starting from the date of registration thereof.

## **Chapter 5 Inheritance Tax**

**Article 52 (Obligation to Pay Inheritance Tax)**

A person who has inherited any property existing within the Industrial Zone shall pay inheritance tax. Inherited property shall include real estate, monetary assets, property in kind, securities, intellectual property, rights to claim insurance benefits and rights to other property.

**Article 53 (Assessment of Inheritance Tax)**

Inheritance tax shall be assessed on the value of inherited property after deduction of the following expenditures:

1. The deceased's debts transferred to inheritors through inheritance;

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2. Funeral expenses borne by inheritors;
  3. Cost and expenses incurred for preservation and maintenance of inherited property while taking steps for inheritance;
  4. Expenses incurred in relation to inheritance thereof, including notarial fees;
  5. Expenses for supporting bereaved family members (US\$300,000)

**Article 54 (Value of Inherited Property)**

The value of any inherited property shall be based on its local market price at the time of inheritance thereof.

**Article 55 (Inheritance Tax Rates)**

If the remaining value of any inherited property is US\$100,000 or more after deduction of the eligible expenditures hereunder, the inheritance tax rates set forth in Appendix 4 attached hereto shall apply.

**Article 56 (Method of Calculating Inheritance Tax)**

The inheritance tax on any inherited property shall be calculated by applying to its remaining value after deduction of the eligible expenditures hereunder the relevant tax rates specified in Appendix 4 attached hereto.

**Article 57 (Payment of Inheritance Tax)**

Inheritance tax shall be paid in monetary assets. In the event that inheritance tax cannot be paid in monetary assets for an unavoidable reason, the taxpayer concerned may submit to the Industrial Zone Tax Office a statement indicating the type, value, quantity and quality of the property concerned and the reason for paying such tax in kind and, upon approval, pay the same tax in kind.

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**Article 58 (Deadline for and Method of Paying Inheritance Tax)**

A person having inherited any property within the Industrial Zone shall pay an inheritance tax on such property, within six (6) months of the inheritance thereof. In this case, the inheritor shall submit (to the Industrial Zone Tax Office) a return of inheritance tax stating the value of inherited property, deductions made, the amount of inheritance tax and the like, together with an application for deduction from inheritance tax, duly notarized by a notary public. If there are two or more inheritors, each inheritor shall pay his/her own share of inheritance tax separately.

**Article 59 (Payment of Inheritance Tax in Installments)**

In the event that the amount of inheritance tax is US\$30,000 or more, such inheritance tax may be paid in installments for three (3) years, upon approval of the Industrial Zone Tax Office.

## **Chapter 6 Transaction Tax**

**Article 60 (Obligation to Pay Transaction Tax)**

An enterprise engaging in the manufacturing sector shall pay transaction tax.

**Article 61 (Assessment of Transaction Tax)**

Transaction tax shall be assessed on the revenue resulting from the sale of products.

**Article 62 (Transaction Tax Rates)**

Transaction tax rates shall be as set forth in Appendix 5 attached hereto.

**Article 63 (Method of Calculating Transaction Tax)**

Transaction tax shall be calculated by applying to the sales of

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products the relevant tax rates specified in Appendix 5 attached hereto. If an enterprise engages in the manufacturing sector as well as in the service sector, the enterprise shall calculate its transaction tax and business tax (as provided in Chapter 7 hereof) separately.

**Article 64 (Deadline for and Method of Paying Transaction Tax)**

A person who sells his/her products shall pay transaction tax on or before the 20th of the first month of the immediately following quarter. In the case of an enterprise engaged in the production sector of a seasonal nature, such as the agricultural sector, the method of paying transaction tax may be prescribed by the Industrial Zone Tax Office.

**Article 65 (Special Treatment related to Transfer Tax)**

If an enterprise ships to the ROK or exports to other country(s) the products produced by it, the enterprise shall be exempt from paying transaction tax hereunder.

## **Chapter 7 Business Tax**

**Article 66 (Obligation to Pay Business Tax)**

An enterprise engaging in the service sector shall pay business tax.

**Article 67 (Assessment of Business Tax)**

Business tax shall be assessed on revenue resulting from the provision of services in the sectors of traffic and transportation, communications, commerce, finance, tourism, advertising, hotels, restaurants, entertainment, health and convenience, as well as revenue resulting from the delivery of buildings in the construction sector.



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**Article 68 (Business Tax Rates)**

Business tax rates shall be as set forth in Appendix 6 attached hereto.

**Article 69 (Method of Calculating Business Tax)**

Business tax shall be calculated by applying to the revenue for each line of business the relevant tax rate shown in Appendix 6 attached hereto. In case an enterprise engages in more than one line of business, its business tax shall be calculated for each business.

**Article 70 (Deadline for and Method of Paying Business Tax)**

Each enterprise shall calculate business tax on a quarterly basis and pay the same on or before the 20th of the first month of the quarter immediately following.

**Article 71 (Exemption of Infrastructure Sector from Business Tax)**

An enterprise that is invested and operating in the sector of producing and supplying energy, such as electricity, gas and heating, and in the sector of water works and sewerage, water supply, and roads, shall be exempted from business tax.

## **Chapter 8 Local Tax**

**Article 72 (Obligation to Pay Local Tax)**

Every enterprise and individual shall pay local tax. Local tax includes city management tax and a motor vehicle use tax.

**Article 73 (Assessment of City Management Tax)**

City management tax shall be assessed on an enterprise's monthly payroll or an individual's monthly gross income, including wage/

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salary, interest income, dividend income, and income from the sale of assets.

**Article 74 (City Management Tax Rates)**

City management tax rates shall be as set forth in Appendix 7 attached hereto.

**Article 75 (Method of Calculating City Management Tax)**

City management tax shall be calculated by applying to an enterprise's monthly gross income or an individual's monthly gross income the relevant tax rates set forth in Appendix 7 attached hereto.

**Article 76 (Method of Paying City Management Tax)**

Each enterprise shall calculate the city management tax every month and pay the same no later than the 10th of the month immediately following. An individual's city management tax shall be withheld and paid by the enterprise making payment of such income to the individual or directly paid by the beneficiary thereof.

**Article 77 (Obligation to Pay Motor Vehicle Use Tax)**

An enterprise or individual owning a motor vehicle as of January 1 of each year shall pay a motor vehicle use tax. The term "motor vehicle" shall include passenger cars, buses, trucks, motorcycles, and special vehicles. Special vehicles include crane trucks, tank cars, fork-lift trucks, cement trucks, excavators, bulldozers, and refrigerator vans.

**Article 78 (Registration of Motor Vehicles)**

An enterprise or individual intending to use any motor vehicle within the Industrial Zone shall submit to the Management

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Committee an application for motor vehicle registration, stating the owner's name, address of residence or stay, the license plate number, vehicle type, number of seats, date of acquisition of the motor vehicle, etc. Upon registration of a motor vehicle, the Management Committee shall issue the motor vehicle registration certificate to the applicant and deliver a copy thereof to the Industrial Zone Tax Office.

**Article 79 (Amount of Motor Vehicle Use Tax)**

The amount of motor vehicle use tax shall be as set forth in Appendix 8 attached hereto.

**Article 80 (Method of calculating Motor Vehicle Use Tax)**

Motor vehicle use tax shall be calculated by applying to the number of motor vehicles per type the amount of the relevant motor vehicle use tax as set forth in Appendix 8 attached hereto.

**Article 81 (Deadline for and Method of Paying Motor Vehicle Use Tax)**

The Industrial Zone Tax Office shall issue a motor vehicle use tax notice to the owner of each motor vehicle on or before the end of February every year, and each motor vehicle owner shall pay the motor vehicle tax within 30 days from receipt of the said notice. A person who has newly acquired a motor vehicle in the Industrial Zone shall pay the motor vehicle use tax on said motor vehicle for the period from the date of registration thereof up to December 31 of the same year, within 30 days of the date of registration thereof.

**Article 82 (Refund of Overpaid Tax for Scrapped Motor Vehicles)**

A person who has scrapped his/her motor vehicle shall submit

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to the Industrial Zone Tax Office an application for refund of the motor vehicle use tax, accompanied by a motor vehicle scrapping certificate. The said application shall state the applicant's name and address, the model name of the motor vehicle, the date of scrapping, the amount of the motor vehicle use tax already paid, and the amount of the tax to be refunded. Upon receipt of such an application, the Industrial Zone Tax Office shall review its content and shall refund to the applicant the motor vehicle use tax for the period from the date of scrapping up to December 31 of the same year, within 10 days of the date of scrapping thereof.

**Article 83 (Tax Exemption for the Periods of Non-use of Motor Vehicles)**

In case a motor vehicle has not been used for 60 consecutive days or longer, the owner thereof is entitled to be exempted from the motor vehicle use tax for such period by submitting an application for exemption from the motor vehicle use tax to the Industrial Zone Tax Office.

## **Chapter 9 Disciplinary Measures and Complaints**

**Article 84 (Late Payment Fee)**

If an enterprise or individual fails to pay any tax hereunder by the due date, a late payment fee shall be imposed on the taxpayer concerned at the rate of 0.05% of the amount of unpaid tax for each day of the delay, starting from the date immediately following the said due date. Notwithstanding the foregoing, the aggregate late payment fee shall not exceed 15% of the amount of unpaid tax.

**Article 85 (Those Subject to Disciplinary Measures and Penalties)**

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A penalty shall be imposed on an enterprise or individual in the following cases:

1. If an enterprise or individual fails to complete tax registration or register any building or motor vehicle in a timely fashion or fails to submit any tax document such as a tax return or annual statement of accounts in a timely fashion without warrant, a penalty shall be imposed on the said enterprise or individual in the amount of US\$10 to US\$1,000.
2. If an enterprise or individual has withheld less tax than required or fails to pay any of the tax withheld, a penalty shall be imposed on the said enterprise or individual in the amount equal to 10% of the unpaid tax.
3. If an enterprise or individual intentionally fails to pay any tax, a penalty shall be imposed on the said enterprise or individual in the amount equal to a maximum 3 times the unpaid tax.

**Article 86 (Complaints and Treatment)**

Should an enterprise or individual have an objection to the assessment and payment of taxes hereunder, such Enterprise or employee may file an objection or issue a complaint to the Industrial Zone Tax Office. Upon receipt of such objection or complaint, the Industrial Zone Tax Office and the General Bureau shall investigate and handle the case within thirty (30) days from receipt thereof.

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## <Appendix 1>

### Individual Income Tax Rates on Monthly Wage/Salary

(Amount :in US\$)

NO	Monthly Wage/salary	Tax Rates
1	500 or higher, but less than 1,000	4% of the amount above 500
2	1,000 or higher, but less than 3,000	20+7% of the amount above 1,000
3	3,000 or higher, but less than 6,000	160+11% of the amount above 3,000
4	6,000 or higher, but less than 10,000	490+15% of the amount above 6,000
5	10,000 or higher	1,090+20% of the amount above 10,000

## <Appendix 2>

### Individual Income Tax Rates on Donated Income

(Amount :in US\$)

NO	Amount of Donated Income	Tax Rates
1	10,000 or higher, but less than 100,000	2 % of the amount above 10,000
2	100,000 or higher, but less than 500,000	1,800+5% of the amount above 100,000
3	500,000 or higher, but less than 1 million	21,800+8% of the amount above 500,000
4	1 million or higher, but less than 3 million	61,800+11% of the amount above 1 million
5	3 million or higher	281,800+14% of the amount above 3 million

## <Appendix 3>

### Property Tax Rates on Buildings

NO	Use of Buildings	Tax Rates(%)
1	Manufacturing buildings	0.1
2	Residential buildings	0.2
3	Commercial buildings	0.5
4	Buildings for entertainment	1

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## <Appendix 4>

### Inheritance Tax Rates on inherited Property

(Amount :in US\$)

NO	Value of Inherited Property	Tax Rates
1	100,000 or higher, but less than 1 million	6 % of the amount above 100,000
2	1 million or higher, but less than 5 million	54,000+10% of the amount above 1 million
3	5 million or higher, but less than 15 million	454,000+15% of the amount above 5 million
4	15 million or higher, but less than 30 million	1,954,000+20% of the amount above 15 million
5	30 million or higher	4,954,000+25% of the amount above 30 million

## <Appendix 5>

### Transfer Tax Rates

NO	Description	Tax Rates (%)
1	electricity, electronic, metal, mechanical products	1
2	fuel, mineral, chemical, construction materials, rubber products	1
3	textiles, shoes, commodities, leather, other manufactured products	1
4	foodstuff, agricultural products, livestock products, aquatic products	2
5	Liquor, tobacco, other favorites items	15

## <Appendix 6>

### Business Tax Rates

NO	Description	Tax Rates (%)
1	Construction, traffic and transportation, postal services	1
2	finance	1
3	commerce	2
4	restaurants, hotels, tourism, advertising, health and convenience	1
5	education, culture, physical education, other services	1
6	real estate transactions	2
7	entertainment	7

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## <Appendix 7>

### City Management Tax Rates

NO	Taxpayer	Tax Rates
1	enterprise	0.5%
2	individual	0.5%

## <Appendix 8>

### Motor Vehicle Use Tax Rates

NO	Description	Amount of Tax (in US\$)
1	passenger cars (per ea/year)	40
2	buses: (per ea/year)	
	up to 12 seater	40
	13-up to 30 seater	50
	31 or more seater	60
3	trucks (per ton of load capacity/year)	3
4	streetcars(per ea/year)	10
5	special vehicles (per ea/year)	20



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# Labor Regulations for the Gaeseong Industrial Zone

Adopted as Decision No.2 (dated September 18, 2003)  
by the Standing Committee of the Supreme People's Assembly

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## Chapter 1 General Provisions

### Article 1 (Purpose)

The purpose of these Labor Regulations (hereinafter referred to as "Regulations") for the Gaeseong Industrial Zone (hereinafter referred to as "Industrial Zone") is to provide, in a complete and substantial manner, the procedures and order for employing and managing the workers required by enterprises operating in the Industrial Zone, thereby facilitating such enterprises' business activities and also ensuring satisfactory working conditions for their employees.

### Article 2 (Subject of Application)

These Regulations shall apply to enterprises (including their branches, sales offices and liaison offices) established within the Industrial Zone and their employees.

### Article 3 (Principle of Labor Employment)

The workers required by the enterprises operating in the Industrial Zone shall be employed among DPRK's nationals. If necessary, such workers may be employed among nationals of the ROK, Koreans from overseas, or foreigners.

### Article 4 (Guarantee of Working Conditions)

Each enterprise shall guarantee its employees safe, cultural, and

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hygienic working conditions while also protecting their lives and health.

**Article 5 (Setting Wage Level)**

Employees' wages shall be determined by the enterprise concerned, taking into account the monthly minimum wage for employees.

**Article 6 (Prohibition of Mobilizing Labor)**

No employee of an enterprise shall be engaged in any work unrelated to the enterprise's business activities. Even in the case of a force majeure such as a natural disaster, no such employee may be mobilized without obtaining the consent of the enterprise concerned.

**Article 7 (Supervisory and Control Authority)**

The Management Committee shall be responsible for supervising and controlling enterprises' employment and management of workers within the Industrial Zone.

## **Chapter 2 Employment and Dismissal of Workers**

**Article 8 (Guarantor of Labor)**

Recruiting agencies shall guarantee the supply of workers required by the enterprises operating in the Industrial Zone. Each enterprise that wishes to employ workers shall request such recruiting agencies to supply the number of workers required by that enterprise.

**Article 9 (Execution of Recruitment Agency Agreement)**

A recruitment agency agreement shall be entered into between a recruiting agency and an enterprise requiring a supply of workers, and such agreement shall be strictly adhered to by both parties.

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In such a case, the enterprise may select such workers as it requires by testing their skills and examining their character, or otherwise. The aforementioned agreement shall provide the number, gender, age, skills, terms of employment, level of wage, etc. of the workers to be recruited.

**Article 10 (Labor Contract)**

An enterprise having selected a worker in such a manner as mentioned in Article 9 hereof shall fix the monthly wage, duration of employment, working hours, etc. by agreement with said worker and a labor contract shall be signed by the enterprise and the worker. A worker having entered into a labor contract with an enterprise shall become an employee of that enterprise.

**Article 11 (Recruiting Agency's Fee)**

A recruiting agency shall be entitled to charge enterprises a fee for its services provided hereunder. Such fee shall be determined by the recruiting agency, in consultation with the Management Committee.

**Article 12 (Employment of ROK Citizens, Koreans from Overseas, or Foreigners)**

An enterprise having employed an ROK citizen or Korean from overseas, or a foreigner shall submit to the Management Committee a statement of labor employment stating the employee's name, gender, date of birth, place of abode, level of knowledge, technical qualifications, job, etc. The Management Committee shall submit to the General Bureau a copy of the statement of labor employment.

**Article 13 (Establishment and Effectuation of Employment Regulations)**

An enterprise, in consultation with employees' representatives,

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may establish and implement employment regulations that are binding on all of its employees. Such regulations shall outline working hours and breaks, standards for protecting workers, rules to be observed by workers, standards for reward and punishment, etc.

**Article 14 (Causes of Dismissal)**

An employee may be dismissed by the employer prior to expiration of the term of employment if:

1. He/she has received medical care for work-related illness, other disease, or injury, but is unable to work in his/her current job or any other job;
2. There is a surplus of employees due to a change in the management or technology of the enterprise;
3. He/she is unable to work in his/her job owing to poor technical ability or skill; or
4. He/she has caused serious damage to the enterprise's property or has violated any of the rules, resulting in a materially adverse effect.

**Article 15 (Dismissal of Employees)**

An employer intending to dismiss any of its employees shall provide 30 days' prior notice to the employee. The enterprise shall send a list of dismissed employees to the recruiting agency concerned.

**Article 16 (Insufficient Conditions for Dismissal)**

No employee may be dismissed by the enterprise, if the employee:

1. Has been receiving medical care for work-related illness or

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- injury that has occurred during work for a period of less than one year;
2. Has been receiving medical care due to a disease other than a work-related illness for a period not exceeding six (6) months;
  3. Is pregnant, on maternity leave before or after childbirth, or is nursing her baby.

#### **Article 17 (Causes for Resignation of Employees)**

An employee is entitled to submit his/her resignation, if he/she

1. Has a personal reason to quit work or engage in other job;
2. Is not fit for the current job so that he/she cannot exercise his technical ability or skills to the fullest or
3. Enters or is enrolled at a school.

#### **Article 18 (Procedure for Employee Resignation)**

An employee intending to resign shall tender a letter of resignation to the enterprise at least seven (7) days prior to resignation. The enterprise may request the said employee to postpone his/her resignation to a later date not exceeding thirty (30) days from the date of receipt of the resignation. In such a case, the employee shall comply with the request, unless circumstances require otherwise.

#### **Article 19 (Payment of Retirement Allowance)**

If an enterprise dismisses an employee who has worked for the enterprise for one year or longer, for reasons attributable to the enterprise, the enterprise shall pay retirement allowance to said employee. Retirement allowance shall be calculated by multiplying the employee's average monthly wage for the last three (3) months by the number of years of his/her service.

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## Chapter 3 Working Hours and Breaks

### Article 20 (Working Hours)

The working hours applicable to employees employed by an enterprise operating within the Industrial Zone shall be 48 hours per week. An enterprise may adjust its employees' working hours to less than 48 hours per week, depending on the intensity of labor and any special working conditions that prevail in its workplace. An enterprise engaged in a sector with seasonal restrictions may adjust employees' working hours appropriately, according to the actual circumstances, within the prescribed annual working hours.

### Article 21 (Compliance with Working Hours)

Each enterprise shall have each of its employees work to an extent not exceeding the working hours set forth in the individual labor contract or employment regulations. An enterprise requiring any overtime work shall reach an agreement on this matter with the employees' representative(s) or the individual employee concerned.

### Article 22 (Guarantee of Time Off on Holidays and Public Holidays)

Each enterprise shall ensure that its employees receive time off on any of the DPRK's holidays and public holidays. In case it has any of its employees work on a holiday or public holiday, it shall grant a substitute leave or pay appropriate compensation to the employee within 15 days thereafter.

### Article 23 (Guarantee of Taking Leave)

An enterprise shall grant each of its employees an annual leave of fourteen (14) days and shall also grant a supplementary leave of two (2) to seven (7) days to an employee engaging in heavy or hazardous work. A pregnant female employee shall be granted

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maternity leaves of sixty (60) days before childbirth and ninety (90) days thereafter.

## **Chapter 4 Compensation for Labor**

### **Article 24 (Compensation for Labor)**

Compensation for labor shall include wage/salary, allowances, incentives, and bonuses. Compensation for labor shall be accurately calculated by the enterprise, based on the actual hours worked by each employee.

### **Article 25 (Minimum Monthly Wage/Salary)**

The minimum monthly wage/salary of each employee employed by an enterprise shall be US\$50 per month. The minimum monthly wage/salary shall not be increased by more than five (5%) of that of the immediately preceding year. In order to increase the minimum monthly wage/salary, the Management Committee shall reach an agreement with the General Bureau thereupon.

### **Article 26 (Setting Employees' Monthly Wage/Salary)**

The monthly wage/salary for employees shall not be set by the enterprise at a level lower than the minimum monthly wage/salary. However, in the case of an employee of an enterprise currently at the stage of preparing for operation, an apprentice, or an unskilled laborer, his/her wage/salary may be set to the extent of 70% of the minimum monthly wage/salary.

### **Article 27 (Payment of Wage/Salary While on Leave)**

An employee granted an annual leave or supplementary leave shall be paid by the employer the leave allowance corresponding to the number of days permitted for such leave. A female

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employee granted maternity leave before and after child birth shall be paid by the employer the leave allowance corresponding to sixty (60) days.

**Article 28 (Method of Calculating Leave Allowance)**

Leave allowance shall be calculated by applying the average wage/salary per day of the employee concerned to the number of days allowed for leave. Here, the average wage/salary per day shall be calculated by dividing the employee's aggregate wages/salaries for the last three (3) months before the leave is granted, by the number of days of actual work.

**Article 29 (Living Allowance)**

If an employee has not worked for a certain period due to his/her own responsibility or the training period, the enterprise shall pay to the employee a cost of living allowance equal to at least sixty percent (60%) of his/her wage per day or hour, as the case may be, for such period of time. The period of paying living allowance shall not exceed three (3) months, and such a living subsidy shall be exempt from any social insurance premium and city management tax.

**Article 30 (Allowance for Overtime and Night Work)**

An employee having worked any overtime and night work after normal working hours shall be paid by the employer an allowance equal to 50% of his/her daily or hourly wage/salary, as the case may be. If the employer had an employee work but did not grant him/her any substitute leave or had him/her work any night work after normal working hours on a holiday or public holiday, the employer shall pay the employee an allowance equal to one hundred percent (100%) of his/her wage/salary. The term "night



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work" shall mean any work done between 22:00 and 06:00 of the following day.

**Article 31 (Payment of Bonuses)**

An enterprise may establish a bonus fund, using a portion of the net profit before taxes, and pay a bonus or prize to its employees who have excelled in fulfilling their duties, out of said fund.

**Article 32 (Payment of Compensation for Labor)**

Each enterprise shall pay compensation for labor in currency, directly to each of its employees, in which case any reward may be paid in commodities. If an employee has resigned or been dismissed by the employer before a pay day, the compensation for labor payable to him/her shall be settled after the procedure for handling his/her resignation has been completed.

## **Chapter 5 Protection of Workers**

**Article 33 (Guarantee of Safe Working Conditions)**

An enterprise shall minimize high temperature, gases, dust, and noises in the work environment and also guarantee the necessary working conditions such as illumination, lighting, and ventilation to protect the health of its industrial workers.

**Article 34 (Protection of Female Workers)**

A female worker who is six (6) months pregnant shall not engage in any strenuous or hazardous work. The enterprise shall provide sufficient facilities for protecting the health of its female workers.

**Article 35 (Operation of Daycare Centers and Kindergartens)**

Each enterprise may establish and operate a daycare center and/or

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kindergarten for its employees' children, taking into account existing circumstances.

**Article 36 (Occupational Safety and Technical Education)**

Each enterprise shall provide its employees with occupational safety and technical education before it engages them in any work. The duration and content of such education shall be determined by the enterprise, depending on its business line as well as the employees' jobs.

**Article 37 (Provision of Occupational Safety Equipment)**

Each enterprise shall provide its employees, in a timely manner, with occupational safety equipment such as personal protection equipment and other necessities for work. Standards for the provision of occupational safety equipment shall be determined by the enterprise.

**Article 38 (Removal of Industrial Hazards)**

In the event that there exist industrial hazards, the enterprise shall immediately halt its operation and remove such hazards. Each enterprise shall equip itself with sufficient occupational safety facilities.

**Article 39 (Measures to Handle Accidents)**

If any employee has died or suffered an accident such as injury or poisoning while working, the enterprise shall promptly advise the Management Committee thereof. In such a case, the Management Committee shall also report the same to the General Bureau. The General Bureau shall undertake a review and investigation of the accident, in consultation with the Management Committee.

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## Chapter 6 Social and Cultural Policies

### **Article 40 (Implementation of Social & Cultural Policies)**

All employees who are nationals of the DPRK and employed by an enterprise operating within the Industrial Zone and their family members are entitled to benefit from the social and cultural policies implemented by the State. Social and cultural policies shall include free education, free medical care, social insurance and social security.

### **Article 41 (Establishment of Social & Cultural Policy Fund)**

The expenditure required for implementing the aforementioned social and cultural policies shall be backed up by the Social & Cultural Policy Fund. The sources of said fund shall be the social insurance premiums to be collected from the enterprises operating within the Industrial Zone and also the social and cultural policy fees to be collected from their employees.

### **Article 42 (Payment by Enterprises of Social Insurance Premiums)**

Each enterprise shall make a monthly payment of social insurance premiums in a sum equal to 15 percent (15%) of its monthly payroll for its employees who are citizens of the DPRK. The aforementioned insurance premiums for any month shall be paid to the bank designated by the General Bureau by the 10th of the month immediately following. As far as the social and cultural policies contemplated herein are concerned, no enterprise shall be under obligation beyond making payment of the social insurance mentioned herein.

### **Article 43 (Payment of Social and Cultural Policy Fees)**

DPRK nationals who are employed by an enterprise operating

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within the Industrial Zone shall set aside, as the social and cultural policy fee, a given portion of his/her wage/salary for each month and pay the same to the bank designated by the General Bureau by the 10th of the month immediately following.

**Article 44 (Use of Social & Cultural Policy Fund)**

The procedure for using the social and cultural policy fund shall be determined by the General Bureau, in consultation with the Management Committee.

**Article 45 (Use of Culture & Welfare Fund)**

An enterprise may establish a culture and welfare fund for its employees, using a portion of the net before tax, and apply the same for that purpose. The culture and welfare fund shall be applied to improve employees' technical and cultural standards, hold sports-related activities, operate welfare facilities, and so forth.

## **Chapter 7 Disciplinary Measures and Dispute Settlement**

**Article 46 (Penalties and Suspension of Business)**

The Management Committee may impose a penalty in the amount of US\$100 and up to US\$2,000 on any enterprise that has violated these Regulations and, as a result, caused a materially adverse effect. If an enterprise fails to correct such violation notwithstanding a prior warning notice received from the Management Committee, both the aforementioned penalty and a suspension of business shall apply.

**Article 47 (Fee for Late Payment of Social Insurance Premium)**

If an enterprise fails to pay any of its social insurance premium

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by the due date, a late payment fee shall be imposed on the enterprise concerned at a daily rate of 0.05% of the amount of unpaid insurance premium, starting from the day immediately following said due date. Notwithstanding the foregoing, the aggregate late payment fee shall not exceed fifteen percent (15%) of the amount of unpaid insurance premium.

**Article 48 (Dispute Settlement)**

Any difference in opinion between the parties concerned that may arise in relation to labor issues hereunder shall be settled through negotiation between said parties. Any matters that cannot be settled through negotiation between the parties concerned shall be settled through arbitration, in accordance with the labor-related arbitration procedure.

**Article 49 (Handling of Complaints)**

Should any enterprise or its employees have an objection to the disciplinary measures taken against such enterprise or employee with regard to its or his/her breach of these Regulations, such Enterprise or employee may file an objection to the Management Committee or make a complaint to the General Bureau. Upon receipt of such objection or complaint, the Management Committee and the General Bureau shall investigate and handle the case within thirty (30) days from receipt thereof.

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# **Regulations for Establishment & Operation of the Management Committee of the Gaeseong Industrial Zone**

Adopted as Decision No.11 (dated December 11, 2003)  
by the Standing Committee of the Supreme People's Assembly

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## **Article 1 (Purpose)**

The purpose of these Regulations (hereinafter referred to as "Regulations") for the Establishment and Operation of the Management Committee of the Gaeseong Industrial Zone (hereinafter referred to as "Industrial Zone") is to provide in a complete and substantial manner the procedure and order for establishing and operating the Management Committee of the Industrial Zone, thereby enhancing its functions and roles.

## **Article 2 (Establishment and Status of Management Committee)**

The Management Committee shall be established by Concessionaires. The Management Committee shall be a corporate body dealing directly with affairs related to investment and business activities.

## **Article 3 (When to Establish the Management Committee)**

The Concessionaires and the General Bureau shall determine, by mutual agreement, when to establish the Management Committee.

## **Article 4 (Status of Chairman)**

The Management Committee shall have one chairman. The

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chairman shall represent the Management Committee and direct its overall business.

**Article 5 (Appointment and Removal of Chairman)**

The chairman shall be appointed and removed, in accordance with the relevant provisions of the Management Committee's bylaws. Notwithstanding the foregoing provision, the first chairman shall be appointed by the Concessionaires.

**Article 6 (Prescription of Organization and Number of Members)**

The organization of the Management Committee and the number of its members shall be prescribed by the chairman. The chairman shall determine the organization and number of members, taking into account the development plan of the Industrial Zone and the degree of progress thereof.

**Article 7 (Qualifications and Conditions for Membership in the Management Committee)**

Members of the Management Committee shall be appointed among those who have a certain expertise and business experience. No person involved in any enterprise or other economic organization established within the Industrial Zone shall be appointed as a member of the Management Committee.

**Article 8 (Appointment and Removal of Management Committee Members)**

Members of the Management Committee shall be appointed and removed by the chairman. If the chairman has appointed or removed any member thereof, he/she shall submit to the General Bureau a list of the members so appointed or removed within three days of the date of appointment or removal.

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**Article 9 (Requesting Management Committee Members)**

The chairman may request that the General Bureau supply such members as required to form the Management Committee. Upon receipt of such a request, the General Bureau shall provide, in a timely manner, such members as requested by the chairman.

**Article 10 (Official Seal and Stamp of the Management Committee)**

The Management Committee shall have its official seal and stamp. The specifications and form of the aforementioned official seal and stamp shall be determined by the Management Committee, in consultation with the General Bureau.

**Article 11 (Application for Registration of the Management Committee)**

Upon completion of the steps toward the establishment of the Management Committee, the Concessionaires shall submit to the General Bureau an application for the registration of the Management Committee, which shall state its name, organization, number of members, and so forth.

**Article 12 (Date of establishment of the Management Committee)**

The General Bureau shall register the Management Committee within five (5) days of receipt of the application for registration thereof. The date on which the Management Committee is registered as such shall be the Management Committee's date of establishment.

**Article 13 (Duties of the Management Committee)**

The Management Committee shall be responsible for the following:

1. Creation of conditions for investment and inducement of



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- investments;
2. Approval of business establishment and registration;
  3. Issuance of construction permits and inspections of completed structures
  4. Registration of land-use rights, buildings, and vehicles
  5. Assistance of enterprises' business activities;
  6. Management of infrastructure;
  7. Taking measures for environmental protection and fire prevention within the Industrial Zone;
  8. Issuance of relevant certificates to personnel and means of transport going to and from the ROK;
  9. Preparation of the Management Committee's bylaws and
  10. Other matters delegated by the General Bureau.

**Article 14 (Annual Plan for Industrial Zone Development)**

The Management Committee shall work out and implement its own annual plan to develop the Industrial Zone. Such plan shall be based on the Master Development Plan and the phased project development plan.

**Article 15 (Business with the DPRK's Governmental Agencies, Enterprises, or Relevant Organizations)**

If the Management Committee intends to do business with any of the DPRK's governmental agencies, enterprises, or relevant organizations in connection with development and operation of the Industrial Zone, the Management Committee shall pursue and carry out such business through the General Bureau.

**Article 16 (Organization and Operation of Meeting of Business Representatives)**

The Management Committee may organize and operate a meeting comprising representatives of the enterprises operating within the

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Industrial Zone. The meeting shall review and address important matters arising out of or in connection with the development, operation, and maintenance of the Industrial Zone.

**Article 17 (Handling Opinions)**

The Management Committee shall promptly deal with any opinions that may be raised in connection with development, operation, and maintenance of the Industrial Zone.

**Article 18 (Consulting and Reporting)**

The Management Committee shall consult with the General Bureau in due course on all important matters arising in the process of developing, operating and maintaining the Industrial Zone. In addition, the Management Committee shall make a report on a quarterly basis to the General Bureau concerning its overall business.

**Article 19 (Management Committee's Working Funds)**

Funds necessary for operation of the Management Committee shall be raised from its revenues, such as fees and commissions received. The level of fees and commissions shall be determined by the Management Committee.

**Article 20 (Supplement Inadequate Working Funds)**

In the case of a shortage of working funds, as mentioned in Article 19 hereof, the Management Committee may address such a shortage out of the contributions collected from the enterprises (including their branches, sales offices, liaison offices, and individual proprietors). In this case, such contribution shall be equal to 0.5% of each enterprise's monthly payroll.

**Article 21 (Formulation and Execution of Management Committee's**

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**Budget)**

The Management Committee shall formulate and execute its own budget. The Management Committee shall submit to the General Bureau its annual statements of accounts not later than the end of March of the calendar year immediately following.

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# **Regulations for Entry into, Departure from, and Stay and Residence in the Gaeseong Industrial Zone**

Adopted as Decision No.12 (dated December 11, 2003)  
by the Standing Committee of the Supreme People's Assembly

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## **Article 1 (Purpose)**

The purpose of these Regulations (hereinafter referred to as "Regulations") for Entry into, Departure from, and Stay and Residence in the Gaeseong Industrial Zone (hereinafter referred to as "Industrial Zone") is to provide in a complete and substantial manner the procedure and order for entry into, departure from, and stay and residence in the Industrial Zone, thereby facilitating the entry and departure of personnel and means of transport and also ensuring benefits to visitors and residents.

## **Article 2 (Subject of Application)**

These Regulations shall apply to ROK personnel and means of transport entering the Industrial Zone from ROK territory and departing from the Industrial Zone for ROK territory. These Regulations shall also apply to Koreans from overseas and foreigners, as well as their means of transport, entering the Industrial Zone from ROK territory and departing from the Industrial Zone for ROK territory.

## **Article 3 (Immigration Office)**

Affairs related to entry into, departure from, and stay and

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residence in the Industrial Zone shall be the responsibility of the Industrial Zone Immigration Office (hereinafter referred to as "Industrial Zone Immigration Office"). The Industrial Zone Immigration Office shall have a department to manage immigration and other related affairs.

**Article 4 (Party to Carry out Immigration Formalities)**

Formalities for entry into, departure from, and stay and residence in the Industrial Zone shall be carried out in person by the party concerned. The Management Committee, an inviting group, or a representative of the party concerned may carry out such immigration formalities on behalf of the party concerned, at its request. In the case of a minor below 17 years of age, such formalities shall be carried out by a parent or guardian.

**Article 5 (Designation of Entrances)**

Any means for transporting personnel shall enter or depart from the Industrial Zone through the entrance(s) designated by the Industrial Zone Immigration Office. The Industrial Zone Immigration Office shall designate such entrance(s) and give public notice thereof.

**Article 6 (Procedure for Changing Entrances)**

If the Industrial Zone Immigration Office intends to change the entrance(s) that it has designated, it shall consult with the Management Committee regarding the proposed change.

**Article 7 (Persons Not Allowed to Enter, Stay or Reside)**

A person falling into any of the following categories shall not be allowed to enter, stay or reside within the Industrial Zone:

1. An international terrorist;

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2. A drug addict or mentally ill person;
  3. A patient with a communicable disease or an individual coming from a region in which any communicable disease has broken out;
  4. A person holding a forged certificate or one damaged too seriously to be verified;
  5. A person holding a certificate whose validity has already expired; or
  6. A person who is prohibited from entering, staying or residing in the Industrial Zone by mutual agreement between the authorities concerned.

**Article 8 (Issuance of Certificates for Passage)**

Passage certificates, certificates for businessmen and tourists, and automobile passes shall be issued by the Management Committee. The Management Committee shall strictly observe the rules related to issuance of such certificates.

**Article 9 (Notification of Details of Immigration-related Certificates)**

The Management Committee shall promptly notify the Industrial Zone Immigration Office of the details of certificates it has issued in relation to immigration, so as not to cause any hindrance to the entry or departure of personnel and means of transport to and from the Industrial Zone.

**Article 10 (Entry and Departure of Personnel)**

Personnel shall enter and depart from the Industrial Zone, carrying a passport (only for the persons as agreed upon by the parties concerned) or a certificate issued by the Management Committee and using a means of transport such as an automobile or train. A minor under 14 years of age may enter and depart from the

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Industrial Zone, together with a parent or guardian carrying a certificate in which said minor is listed as an accompanying person. A person staying for a long term and a resident may also enter and depart from the Industrial Zone, carrying a registration certificate of long-term stay and a resident registration certificate, respectively.

**Article 11 (Entry and Departure of Means of Transport)**

Each automobile shall enter and depart from the Industrial Zone through the designated entrance(s), carrying the automobile pass issued pursuant to Article 8 hereof. Each train shall enter and depart from the Industrial Zone according to the timetable agreed upon between the authorities concerned.

**Article 12 (Inspection and Quarantine)**

All personnel and means of transport entering or departing from the Industrial Zone shall be subject to immigration inspection, customs inspection, hygienic quarantine and quarantine for animals and plants at the entrance(s) to the Industrial Zone. The responsible agency shall conduct such inspections and quarantine in a scientific and timely manner so as not to adversely affect the safety of the Industrial Zone and the business of arriving or departing personnel.

**Article 13 (Classification and Duration of Stay)**

A person entering the Industrial Zone shall be allowed to stay for a short term or long term. A short-term stay shall refer to a stay of up to 90 days from the date of arrival, while a long-term stay shall refer to a stay for a period of 91 days or more from the date of arrival. A person shall be allowed to stay only for the period of validity of his/her certificate.

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#### **Article 14 (Extension of Duration of Stay)**

A person having entered the Industrial Zone shall be allowed to extend his/her duration of stay. In such a case, the applicant shall submit an application for extension of stay to the Industrial Zone Immigration Office at least three (3) days prior to the end of his/her duration of stay and obtain approval of such extension.

#### **Article 15 (Registration of Stay)**

Each person that arrives in the Industrial Zone shall register his/her stay with the Industrial Zone Immigration Office within forty-eight (48) hours of arrival and receive on his/her certificate a stamp confirming that his/her stay has been duly registered. For this purpose, the applicant shall submit an application for registration of stay that includes his/her name, address, date of birth, nationality, occupation, place of abode, purpose and duration of stay, etc.

#### **Article 16 (Exemption from Registration of Stay)**

A person falling into the following categories shall not be required to register his/her stay:

1. A person departing from the Industrial Zone within seven (7) days of the date of arrival;
2. A member of an international organization or a foreign country's permanent mission stationed in the ROK;
3. A tourist;
4. Any other person who is exempted from such registration by mutual agreement between the authorities concerned.

#### **Article 17 (Registration of Residence)**

A person who intends to stay in the Industrial Zone for one year



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or longer shall register his/her residence with the Industrial Zone Immigration Office.

**Article 18 (Application for Registration Certificate of Stay or Residence)**

A person who intends to stay for a long term or reside in the Industrial Zone shall submit to the Industrial Zone Immigration Office an application for issuance of a registration certificate of stay or residence within thirty (30) days of the date of registration of his/her stay. Such an application shall state the applicant's name, gender, date of birth, nationality, and occupation, as well as the place, duration and purpose of his/her proposed stay or residence, etc. The applicant shall also enclose four (4) color photos (3 x 4cm) of him or herself from the waist up, which shall have been taken within six (6) months prior to the date of submission.

**Article 19 (Issuance of Registration Certificate of Stay or Residence)**

A registration certificate of stay or residence shall be issued only to adults 17 years of age or older. A minor shall be listed as an accompanying person on the registration certificate of stay or residence of his/her parent or guardian. The Industrial Zone Immigration Office shall issue a registration certificate of stay or residence within seven (7) days of the date of receipt of an application.

**Article 20 (Validity of Registration Certificates of Stay or Residence)**

The validity of a registration certificate of stay and of residence shall be one (1) year and three (3) years, respectively. The validity of a registration certificate of stay or residence can be extended.

**Article 21 (Extension of Validity of a Registration Certificate of Stay or Residence)**

A person who wishes to have the validity of his/her registration

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certificate of stay or residence extended shall submit to the Industrial Zone Immigration Office an application for extension thereof at least seven (7) days prior to the end of its validity. The applicant is required to have such an application confirmed by the Management Committee prior to submission to the Industrial Zone Immigration Office. The Industrial Zone Immigration Office shall extend the validity of the relevant registration certificate within three (3) days of the date of receipt of the application.

**Article 22 (Registration of Change in Place of Abode)**

A person who resides within the Industrial Zone may change his/her place of abode if necessary. A person who changes his/her place of abode shall register the same with the Industrial Zone Immigration Office within fourteen (14) days of the date of such change.

**Article 23 (Registration of Childbirth, Death and Marriage)**

In the case of childbirth, death, or marriage within the Industrial Zone, a person who is party to such an event shall register said event with the Industrial Zone Immigration Office by submitting an application for registration thereof and supporting documents evidencing the occurrence of said event. Such registration shall be completed within fourteen (14) days of the date of occurrence thereof.

**Article 24 (Re-issuance of Certificates)**

If a person's residence registration certificate, certificate of passage, businessman certificate, tourist certificate, or automobile pass is damaged, soiled or lost, he/she shall promptly report the same to the appropriate agency and have a new one issued.

**Article 25 (Access to Areas Outside the Industrial Zone)**

A person who wishes to enter the territory of the DPRK outside

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the Industrial Zone shall secure a visa. Visa applications shall be submitted through the Management Committee to the Industrial Zone Immigration Office.

**Article 26 (Fees)**

A person applying for issuance or re-issuance of a registration certificate of stay or residence, extension of the validity thereof, or registration of a change in his/her place of abode shall pay the applicable fees. Such fees shall be determined by the Industrial Zone Immigration Office in consultation with the Management Committee.

**Article 27 (Certificates to Be Carried at All Times)**

A person staying or residing within the Industrial Zone shall carry at all times certificates confirming his/her identity.

**Article 28 (Guarantee of Inviolability of Body and Domicile, and Confidentiality of Correspondence)**

A person staying or residing within the Industrial Zone shall be guaranteed the inviolability of his/her person and domicile and also confidentiality of correspondence. Such a visitor or resident may not be detained or arrested, nor may his/her body or domicile be searched, except under the law.

**Article 29 (Return of Registration Certificates of Stay or Residence)**

If a person who has stayed for a long term or resided in the Industrial Zone intends to return home after having concluded his/her business, he/she shall return his/her registration certificate of stay or residence to the Industrial Zone Immigration Office.

**Article 30 (Handling Matters not Stipulated)**

All matters related to entry into, departure from, and stay or

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residence in the Industrial Zone but not specifically stipulated herein shall be handled by the Industrial Zone Immigration Office and the Management Committee, in consultation with each other.

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# Customs Regulations for the Gaeseong Industrial Zone

Adopted as Decision No.13 (dated December 11, 2003)  
by the Standing Committee of the Supreme People's Assembly

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## Chapter 1 General Provisions

### Article 1 (Purpose)

The purpose of these Customs Regulations (hereinafter referred to as "Regulations") for the Gaeseong Industrial Zone (hereinafter referred to as "Industrial Zone") is to provide in a complete and substantial manner the procedure and order for dealing with the matters related to customs in the Industrial Zone, thereby facilitating the transport of goods and the entry and departure of personnel and means of transport. As used in these Regulations, each capitalized term that has not been specifically defined herein shall have the meaning assigned to it in the Act or the Gaeseong Industrial Zone Development Regulations.

### Article 2 (Subject of Application)

These Regulations shall apply to goods and mail (including the means of transport thereof) being transported into and/or out of the Industrial Zone, as well as to the transport thereof, by any of the enterprises (including Concessionaires) established within the Industrial Zone and its branch(es), sales office(s) or liaison office(s) (hereinafter referred to as "Branch(es)") for the purpose of development, operation and maintenance of the Industrial Zone, or for the purpose of production and management activities. In

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addition, these Regulations shall also apply to any ROK nationals, Koreans from overseas, or foreigners (hereinafter referred to as "Individuals") who enter the Industrial Zone from ROK territory or depart from the Industrial Zone for ROK territory.

**Article 3 (Establishment of Customs)**

The customhouse (hereinafter referred to as "Customs") within the Industrial Zone shall be established at the entrance to the Industrial Zone. Notwithstanding the foregoing, Customs may also be established at any place where it is convenient for enterprises to carry on business and for customs inspection or supervision to be exercised. No Individuals, means of transport, goods, or mail shall be allowed to enter and exit the Industrial Zone without passing through a point where Customs has been established.

**Article 4 (Reporting of Goods Transported)**

All goods being transported in or out of the Industrial Zone shall be subject to a reporting system.

**Article 5 (Principle of Registration with Customs)**

No enterprise or Branch shall be allowed to transport in or out of the Industrial Zone any goods related to its production and managerial activities without first registering them with Customs.

**Article 6 (Prohibited Articles)**

Nobody shall be allowed to transport in or out of the Industrial Zone any articles likely to affect the social security, development of the national economy, inhabitants' health, and environmental protection. Those articles prohibited from transportation in or out of the Industrial Zone hereunder shall be specified in the Appendix attached hereto.

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**Article 7 (Exemption from and Imposition of Customs Duties)**

No customs duties shall be imposed on goods being transported into or out of the Industrial Zone and goods being processed on a commission basis by the DPRK's governmental agencies, enterprises, or relevant organizations. However, if any goods brought into the Industrial Zone from a foreign country are sold in DPRK territory outside of the Industrial Zone without first being processed, they may be subject to imposition of a customs duty.

**Article 8 (Matters to Be Handled in Consultation)**

All matters that are not specifically provided herein in connection with the affairs related to Customs shall be handled by Customs in consultation with the Management Committee.

**Article 9 (Application of Relevant Laws and Regulations)**

The customs procedures applicable to entry into DPRK territory that is outside the Industrial Zone from inside the Industrial Zone shall be in accordance with the provisions of relevant laws and regulations.

## **Chapter 2 Procedure of Customs Registration**

**Article 10 (Party to Register with Customs)**

The procedure for registration with Customs shall be followed by the enterprise or Branch concerned. If circumstances require, the aforementioned procedure may also be followed by a representative of the enterprise or Branch.

**Article 11 (Date of Registration with Customs)**

Each enterprise and Branch shall register with the Customs within 20 days from the respective date of approval of the establishment

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of said enterprise and Branch.

**Article 12 (Submission of Application for Customs Registration)**

Each enterprise or Branch intending to register with Customs shall submit to Customs an application for Customs registration. Such application shall include copies of the enterprise's or Branch's registration certificate, authorization, logo design, and other documents required by Customs.

**Article 13 (Issuance of Customs Registration Certificate)**

Customs shall issue a Customs registration certificate to the applicant within seven (7) days of the date of receipt of the application thereof.

**Article 14 (Notification of a Change in Business Line)**

If the Management Committee has approved any change in the business line of any enterprise, it shall promptly advise Customs thereof.

**Article 15 (Registration of Means of Transport)**

Means of transport (excluding railway vehicles) that run frequently between the Industrial Zone and ROK territory shall register with Customs. The means of transport registered with Customs hereunder shall be exempt from Customs procedures.

**Article 16 (Application for Registration of Means of Transport)**

An enterprise, Branch, or an individual intending to register any means of transport shall submit to Customs an application for registration thereof. Such an application shall specify the license plate number, type and owner, year of manufacture, engine displacement, carrying capacity or passenger capacity, purpose of



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operation, route, and period of validity of the means of transport.

**Article 17 (Issuance of Registration Certificate for Means of Transport and Extension of Validity)**

Customs shall issue to the applicant a registration certificate for means of transport, within three (3) days of the date of receipt of the application for registration thereof. The validity of the registration certificate for means of transport may be extended.

**Article 18 (Filing a Report of Goods to Be Transported)**

An enterprise, Branch, or an individual intending to transport any goods into or out of the Industrial Zone shall file with Customs a report concerning such goods. Such a report shall specify the goods' name, quantity, specifications, price, place of origin, destination, shipper, and consignee. Such a report may also be filed through a computer network.

**Article 19 (Declaration of Goods to be Processed on Commission)**

If an enterprise or Branch intends to commission any of the DPRK's organizations, enterprises, or groups to process goods, it shall file with Customs a declaration form concerning the goods to be transported for processing. Such a declaration form shall specify the goods' name, quantity, specifications, price, processing cost, consignor, consignee, and period and place of processing.

**Article 20 (Declaration of Goods Transported by Train)**

With respect to goods transported by train, the railway station concerned located in the Industrial Zone shall follow the procedure for customs declaration. Upon arrival of the train, the railway station shall submit to Customs such documents as invoices, train classification cards, waybills, and packing lists.

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**Article 21 (Declaration of Mails)**

With respect to incoming mail from the ROK or other countries, the Industrial Zone Post Office shall follow the procedure for customs declaration. With respect to outgoing mail to the ROK or other countries, the sender (an enterprise or Branch or an individual) or its representative shall follow the procedure for customs declaration.

**Article 22 (Declaration of Personal Effects)**

Every individual shall declare his/her personal effects to Customs, if any. The customs declaration of personal effects shall be conducted orally.

**Article 23 (Declaration of Foreign Currencies, Precious Metals and Jewelry)**

Foreign currencies may be carried in or out of the Industrial Zone without any customs declaration. However, precious metals and jewelry must be declared at Customs in order to be carried in or out.

**Chapter 3 Customs Inspection and Supervision****Article 24 (Authority for Customs Inspection and Supervision)**

Customs shall perform the customs inspection and supervision of goods, mail, individuals' personal effects being carried in or out of the Industrial Zone and means of transport arriving in and departing from the Industrial Zone.

**Article 25 (Point of Inspection of Transported Goods)**

The customs inspection of goods being transported in or out shall be made at the point of arrival or departure thereof. However,

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in the case of bulk goods in small volume or if the freight car is unsealed, such inspection may also be made at the entrance to Customs.

**Article 26 (Method of Inspecting Transported Goods)**

The customs inspection of goods being transported in or out shall be carried out by checking either a portion or the whole of said goods against the relevant customs declaration when they are loaded into or unloaded from the means of transport.

**Article 27 (Inspection of Mail)**

Customs inspection of mail shall occur at the designated place and in the presence of an authorized officer of the post office or recipients or their representatives. The post office shall not hand over or ship outside the Industrial Zone any mail that has yet to be inspected by Customs. No money or securities are allowed in any parcel.

**Article 28 (Inspection of Individuals' Personal Effects)**

Customs inspection of individuals' personal effects (including other luggage checked separately) shall be carried out by means of inspection equipment. If inspection equipment is not available, or any error occurs in the course of such inspection, such inspection may be conducted by opening and searching of personal effects. Customs may omit any customs inspection regarding an individual's personal effects at the request of the Management Committee.

**Article 29 (Point of Inspection as to Means of Transport)**

Customs inspection of means of transport shall be carried out at the entrance to Customs, located on the relevant road or railway.

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Once a means of transport has arrived at the entrance to Customs, it shall not be permitted to leave the Customs-controlled area without Customs' approval.

**Article 30 (Supervision over Transportation of Goods)**

Customs shall exercise supervision over the transportation of goods that occurs between the entrance to Customs and destinations, or between places of shipment and the entrance to Customs.

**Article 31 (Inspection of Goods in Relayed Transport or Transit)**

Customs inspection shall be omitted with respect to any goods in relayed transport or in transit. Nevertheless, if there occurs any accident, or any prohibited article is deemed to be included among them, such goods may be subject to customs inspection.

**Article 32 (Means of Transport for Transported Goods)**

Goods transported by an enterprise, Branch, or individual shall be in containers or placed in vans. Nevertheless, any goods transported in bulk or in small volume may be transported using any means of transport other than containers or vans.

**Article 33 (Cooperation with Inspection and Supervision)**

The Management Committee, enterprises, Branches and individuals involved shall cooperate with Customs in carrying out inspection and supervision hereunder.

**Article 34 (Establishment of Bonded Areas and Bonded Warehouses)**

A bonded exhibition area, bonded warehouse, bonded factory, etc. may be established by any enterprise or Branch within the

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Industrial Zone. When establishing any of the aforementioned facilities, the enterprise or Branch concerned shall ensure that such a bonded exhibition area, bonded warehouse, or bonded factory will be subject to supervision by Customs.

**Article 35 (Operation of Bonded Areas and Bonded Warehouses)**

No bonded exhibition areas, or bonded warehouses, shall be used to store any goods other than bonded goods. The transportation of bonded goods into or out of any bonded exhibition area or bonded warehouse as well as the re-labeling of packages and sorting or repackaging of any bonded goods in any bonded factory shall be carried out under the supervision of Customs.

## **Chapter 4 Customs Duties and Charges**

**Article 36 (Issuance of Notice of Customs Duties)**

Customs shall issue a notice of customs duties to the enterprise or Branch on which the Customs intends to impose customs duties.

**Article 37 (Standard Prices for Customs Duties and their Calculation)**

The standard price for assessing customs duties in the Industrial Zone shall be the price of the goods in question upon their arrival in the Industrial Zone, including all costs and expenses incurred until their delivery to the Industrial Zone. Customs duties shall be calculated in accordance with tariff rates then in effect.

**Article 38 (Payment of Customs Duties)**

Upon receipt of a notice of customs duties, an enterprise or Branch shall pay the customs duties to the designated bank. In such a case, such enterprise or Branch shall receive a certificate of payment of customs duties from the bank and submit the same

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to Customs.

**Article 39 (Refund and Additional Assessment of Customs Duties)**

An enterprise or Branch that has overpaid any customs duties shall be entitled to request that Customs refund the sum equal to the overpaid amount of customs duties within one (1) year of the date of payment thereof. In this case, Customs shall review the request and refund the customs duties paid in excess or reject the request within one (1) month. With respect to any goods on which the customs duties imposed were less than required, Customs may assess additional customs duties as required within one (1) year of the date of customs clearance of the goods in question.

**Article 40 (Customs Fees)**

Each enterprise, Branch, and Individual shall pay to Customs the appropriate fees for issuance of the Customs registration certificate and the registration certificate for means of transport. Such Customs charges shall be determined by Customs and the Management Committee, in consultation with each other.

## **Chapter 5 Disciplinary Measures and Complaints**

**Article 41 (Detainment and Application of Penalties)**

Customs may detain any goods being transported, any means of transport, or any individuals' personal effects that violate any provision of these Regulations. Furthermore, penalties may be applied to those who have knowingly violated these Regulations.

**Article 42 (Confiscation)**

Prohibited or smuggled articles shall be confiscated. In addition,

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the means of transport used in an act of smuggling may also be confiscated.

**Article 43 (Complaints and Deadline for Treatment)**

Should an enterprise or individual have an objection to any customs-related affair related hereunder, such enterprise or individual may register a complaint with Customs. Upon receipt of such complaint, Customs shall investigate and handle the case within 15 days of receipt thereof.

**Appendix 1. Articles Prohibited from Entry into the Industrial Zone**

- 1) Firearms, bullets, explosives (excluding blasting powders, detonators, lamp wicks, detonating fuses, etc. that have been permitted for use in developing the Industrial Zone), military supplies and weapons.
- 2) Binoculars or telescopes with magnification of 10 times or higher, cameras with a fixed lens that is 160mm or larger in diameter.
- 3) Radios and accessories.
- 4) Deadly poisons, violent toxins, drugs and radioactive materials, toxic chemicals.
- 5) Publications (including duplicates) or their manuscripts, films, photographs, recorded tapes, records, magnetic tapes, artworks, artifacts or sculptures that may adversely affect social order and the public morals of the people.
- 6) Specified articles being transported in from areas where infectious diseases have broken out.
- 7) Articles prohibited from being transported into the Industrial Zone, by mutual agreement between the authorities concerned.

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## **Appendix 2. Articles Prohibited from Being Transport out of the Industrial Zone**

- 1) Firearms, bullets, explosives, military supplies and weapons.
- 2) Deadly poisons, violent toxins, drugs and radioactive materials, toxic chemicals.
- 3) Historic relics.
- 4) Documents classified as confidential, publications (including duplicates) or their manuscripts, films, photographs, recorded tapes, records, magnetic tapes.
- 5) Articles prohibited from being transported out, by mutual agreement between the authorities concerned.



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# Regulations for Management of Foreign Currency for the Gaeseong Industrial Zone

Adopted as Decision No. 16 (dated February 25, 2004)  
by the Standing Committee of the Supreme People's Assembly

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## **Article 1 (Purpose)**

The purpose of these Regulations for Management of Foreign Currency (hereinafter referred to as "Regulations") is to provide in a complete and substantial manner the procedures and order for management of foreign currencies within the Gaeseong Industrial Zone (hereinafter referred to as "Industrial Zone"), thereby facilitating the circulation of foreign currencies.

## **Article 2 (Subject of Application)**

These regulations shall apply to those enterprises and individuals using foreign currencies within the Industrial Zone. As employed in these Regulations, the term "enterprise" shall include any enterprise, branch, sales office, liaison office, or sole proprietor operating within the Industrial Zone. The term "individual" shall include any ROK citizen, Korean living overseas, or foreigner staying or residing within the Industrial Zone.

## **Article 3 (Authorities for Foreign Currency Management)**

Management of foreign currencies within the Industrial Zone shall be the responsibility of the Management Committee. However, the DPRK's revenues in foreign currencies shall be managed by the General Bureau.

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#### **Article 4 (Scope of Foreign Currency)**

As used in these Regulations, the term "foreign currency" shall include:

1. Convertible foreign currency in cash;
2. Securities, such as bonds and stocks, denominated in convertible foreign currencies;
3. Means of payment, such as notes, checks and certificate of deposits, denominated in convertible currencies; and
4. Precious metals, such as gold, silver, platinum, osmium and iridium, other than ornaments.

#### **Article 5 (Type of Circulated Currencies and Basic Currency)**

In the Industrial Zone, convertible foreign currencies in cash shall be used. The type of circulated currencies as well as the basic currency shall be determined by the Management Committee, in consultation with the General Bureau.

#### **Article 6 (Applicable Exchange Rates)**

The exchange rates applicable to circulated currencies shall be in accordance with current exchange rates prevailing in international financial markets selected by the Management Committee, in consultation with the General Bureau.

#### **Article 7 (Opening a Foreign Currency Account)**

Each enterprise shall open a foreign currency account with a bank established in the Industrial Zone. Each enterprise may select, at its own discretion, the bank with which such a foreign currency account is to be opened.

#### **Article 8 (Services of Investment Bank)**

The investment bank established within the Industrial Zone may

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engage in the business of monetary exchange and other financial services. However, the investment bank shall not engage in any foreign exchange business that involves DPRK currency.

**Article 9 (Submission of Report of Deposit and Withdrawal of Foreign Currencies)**

The investment bank established in the Industrial Zone shall prepare on a semiannual basis a report on the deposit and withdrawal of foreign currencies for each account, and submit the same to the Management Committee no later than the 30th day of the month immediately following the last month of each half-year.

**Article 10 (Services of DPRK's Foreign Exchange Bank)**

The DPRK's foreign exchange bank established within the Industrial Zone shall be responsible for: 1) management of payments such as taxes, rent on land, and social insurance premiums and 2) settlement of accounts in foreign currencies or other transactions involving foreign currency funds that are related to the DPRK's governmental agencies, enterprises, relevant organizations, or employees.

**Article 11 (Guarantee of Deposits' Confidentiality and Calculation of Interest)**

Banks shall guarantee the confidentiality of foreign currency deposits and shall accurately calculate and pay to depositors the interest on such deposits.

**Article 12 (Opening an Account with a Bank outside the Industrial Zone)**

If an enterprise intends to open a foreign currency account with

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a bank located in the ROK or a foreign country, it shall file with the Management Committee a statement specifying the name and location of such bank and the proposed date of the account's opening.

**Article 13 (Submission of Statement of Foreign Currency Deposits and Withdrawals)**

An enterprise that has a foreign currency account with a bank outside the Industrial Zone shall prepare on a semiannual basis a statement detailing the deposit and withdrawal of foreign currencies for each account, and submit the same to the Management Committee not later than the 30th day of the month immediately following the last month of each half-year.

**Article 14 (Method of Payment and Settlement)**

Each enterprise and individual may make payments or settle accounts for its transactions with foreign currencies in cash, credit cards or foreign currency accounts. Accounts may be settled through remittance, letters of credit, cash or clearing. In such a case, the method of settlement shall be determined by mutual agreement between the parties involved.

**Article 15 (Individual Possession of Foreign Currencies)**

Each individual shall be entitled to carry or deposit with banks the foreign currencies that he/she has earned or carried into the Industrial Zone, without restrictions.

**Article 16 (Carrying Foreign Currencies in or Out)**

An enterprise or individual may carry foreign currencies into the Industrial Zone and carry them out to the ROK or any other country, without restrictions. In such a case, foreign currencies

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shall not be subject to customs declaration, with the exception of precious metals.

**Article 17 (Remittance of Foreign Currencies)**

An enterprise or individual may remit outside the Industrial Zone foreign currencies legitimately received or earned, including profits and wages. In such a case, no tax shall be imposed on such foreign currencies.

**Article 18 (Disciplinary Measures)**

In the event of any material violation of these Regulations, the party concerned may be subject to penalties or suspension of bank transactions, depending on the circumstances involved.

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# Advertising Regulations for the Gaeseong Industrial Zone

Adopted as Decision No.17 (dated February 25, 2004)  
by the Standing Committee of the Supreme People's Assembly

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## Article 1 (Purpose)

The purpose of these Advertising Regulations (hereinafter referred to as "Regulations") is to provide, in a complete and substantial manner, the procedure and order for engaging in advertising business within the Gaeseong Industrial Zone (hereinafter referred to as "Industrial Zone"), thereby facilitating economic activities of enterprises and individuals.

## Article 2 (Definitions)

As used in these Regulations, the following terms shall have the meanings hereby assigned to them:

1. "Advertising" means the act of publishing information related to production, sales, services, labor employment and so forth, by using advertising materials.
2. "Advertising material" means for conveying the content of advertisements or a facility for displaying the same.
3. "Sponsor" means an enterprise, individual, or economic organization that intends to place an advertisement.
4. "Advertising business" means a business specializing in advertising activities, such as design, production, installation, and maintenance of advertising materials.
5. "Advertising agency" means an enterprise, branch, or sales

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office engaged in advertising business.

**Article 3 (Parties to Advertising and Advertising Business)**

Every enterprise, individual or economic organization may freely place advertisements and, if necessary, engage in advertisement business.

**Article 4 (Authorities for Control of Advertising Business)**

The Management Committee shall have the authority to control advertising business and related affairs within the Industrial Zone.

**Article 5 (Agreement for Approval of Advertising Business)**

A party intending to engage in advertising business in the Industrial Zone shall first reach an agreement with Concessionaires and then obtain the approval of the Management Committee. The procedure for obtaining approval shall be determined by the Management Committee.

**Article 6 (Qualifications for Advertising Agency)**

In order to carry out its business activities, an advertising agency shall be equipped with sufficient experts and facilities that may be required to plan, produce, install, and manage advertisements.

**Article 7 (Means of Advertising)**

Advertisements shall utilize billboards, electric billboards, signboards indicating services, booklets, etc. If necessary, advertisements may be placed on the Internet or other means.

**Article 8 (Advertising Contract)**

A sponsor who wishes to request an advertising agency to place an advertisement on its behalf shall enter into an advertising contract with said advertising agency. The contract shall detail in a precise manner the sponsor's name, the advertising agency's

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name, the form, applicable rules, quantity, place of installation, duration of display, and cost of said advertising material and liabilities in the event of a breach and other relevant information.

**Article 9 (Prohibited Advertisements)**

The following advertisements shall be prohibited:

1. Advertisements that adversely affect relations between the ROK and the DPRK;
2. Advertisements of a decadent nature;
3. False advertisements;
4. Advertisements concerning any goods or services whose production, sale and offer are prohibited; or
5. Advertisements that malign or make unreasonable comparisons to other enterprises, goods, or services.

**Article 10 (Ensuring Accuracy of Advertisements)**

A sponsor that intends to place an advertisement for any goods or services shall ensure that the content of such advertisement is true and accurate.

**Article 11 (Language of Advertising Materials)**

Advertising materials shall be in the Korean language. If necessary, advertising materials may be in an international official language or any other language, in which case the Management Committee may require the sponsor to submit a translation thereof into the Korean language.

**Article 12 (Consent to Use a Third Party's Name, Building, Facility or Site)**

A sponsor or advertising agency that intends to use a third party's



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name in an advertisement shall obtain the consent of said third party. A sponsor or advertising agency that intends to install any advertising materials on the building, facility, or site owned by another enterprise, individual, or economic organization, shall obtain the consent of the owner or operator thereof.

**Article 13 (Approval of Installation of Outdoor Advertising Materials)**  
Installation of any outdoor advertising material shall be subject to the prior approval of the Management Committee. If a sponsor or advertising agency intends to install any outdoor advertising material, an application shall be submitted to the Management Committee for installation of an outdoor advertising material, and such an application shall specify the form, specifications, content, and place of installation, as well as the duration of display of said advertising material.

**Article 14 (Approval or Rejection of Installation of Outdoor Advertising Materials)**

Upon receipt of an application for installation of outdoor advertising material, the Management Committee shall review and approve or reject the same within seven (7) days of receipt thereof. In the event of rejection, the Management Committee shall provide notice to the applicant, citing the reason for such rejection.

**Article 15 (Outdoor Advertising Materials Not Requiring Approval)**  
Outdoor advertising materials that do not require approval for their installation shall be determined by the Management Committee, in consultation with the General Bureau. Any of the aforementioned advertising materials may be installed only upon filing a report with the Management Committee.

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**Article 16 (Areas Where Installation of Outdoor Advertising Materials Is Prohibited)**

No outdoor advertising materials shall be installed in areas containing revolutionary historic relics areas for protection of historic relics, scenic beauty, and the natural environment specially protected areas or any other places that may adversely affect the use of public notice boards in urban areas, means of transport, or traffic facilities.

**Article 17 (Modification of Outdoor Advertising Materials)**

If a sponsor or advertising agency intends to change or modify the form, specifications, content, place of installation, and duration of display of an advertising material already installed with the approval of the Management Committee, it shall obtain approval of the Management Committee again with respect to the modification. In such a case, the sponsor or advertising agency shall submit to the Management Committee an application to modify the said outdoor advertising material, specifying the reason for such modification.

**Article 18 (Cultured Nature of Outdoor Advertising Materials)**

A sponsor or advertising agency shall install outdoor advertising materials in a cultured nature and shall be responsible for their maintenance.

**Article 19 (Removal and Restoration of Outdoor Advertising Materials)**

When the duration of display of an outdoor advertising material has expired, the sponsor or advertising agency thereof shall remove the same within seven (7) days and restore the area in which it was installed to its original condition.

**Article 20 (Fees)**

The Management Committee may charge certain fees in connection

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with its approval concerning the advertising business and installation of outdoor advertising materials. The amount of such fees shall be determined by the Management Committee.

**Article 21 (Treatment of Advertisements against Regulations)**

If any advertisement is in violation of these Regulations, the Management Committee shall take necessary action in a timely fashion to ensure that the defects of such advertisement are corrected, if any, or that relevant outdoor advertising materials are removed. All of the expenses incurred in connection with the correction of such defects or removal of such outdoor advertising materials shall be borne by the sponsor or advertising agency concerned.

**Article 22 (Disciplinary Measures)**

In the event of any material violation of these Regulations, the party concerned may be subject to disciplinary measures such as prohibition against placing of advertisements, revocation of advertising business approval, and imposition of penalties, depending on the circumstances involved.

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# Real Estate Regulations for the Gaeseong Industrial Zone

Adopted as Decision No.33 (dated July 29, 2004)  
by the Standing Committee of the Supreme People's Assembly

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## Chapter 1 General Provisions

### Article 1 (Purpose)

The purpose of these Real Estate Regulations (hereinafter referred to as "Regulations") is to provide, in a complete and substantial manner, the procedure and order for acquisition of and transactions concerning real estate within the Gaeseong Industrial Zone (hereinafter referred to as "Industrial Zone"), thereby contributing to the guarantee of proper conditions for the economic activities and daily life of enterprises and individuals.

### Article 2 (Subject of Application)

These Regulations shall apply to enterprises and individuals that acquire, transfer, lease, or mortgage real estate in the Industrial Zone. In addition, these Regulations may also apply to enterprises or individuals that acquire real estate in order to construct the infrastructure that is connected to the Industrial Zone from outside.

### Article 3 (Definitions)

As employed in these Regulations, the following terms shall have the meanings hereby assigned to them:

1. An "Enterprise" means an enterprise, its branch, sales office, or

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liaison office engaging in economic activities in the Industrial Zone.

2. An "Individual" means a citizen of the ROK, a Korean living overseas, or a foreigner who is engaged in economic activities or residing in the Industrial Zone.
3. "Real estate" means land use rights and buildings, including any other objects attached thereto.
4. The "Land lease period" is the period during which land use rights may be exercised in accordance with the relevant lease contract.
5. "Sale in lots" means the act of dividing real estate by use and transferring the same to enterprises or individuals.
6. "Transfer" means the act of handing over real estate to a third party in the form of sale, exchange, gift, or inheritance.
7. "Sale" means the act of transferring real estate to a third party with compensation.
8. "Exchange" means the act of exchanging real estate between parties and settling the difference in prices.
9. "Gift" means the act of transferring real estate to a third party without compensation.
10. "Inheritance" means the act whereby the status of an owner or lessee of real estate is transferred to the owner's or lessee's heir(s) without compensation when the former dies.
11. "Lease" means the act of lending real estate to a third party for a given period.
12. "Registered leasehold" means the rights of the lessee who is duly registered as such.
13. "Mortgage" means the act of providing real estate, or a registered leasehold, to a third party as security for debts.

#### **Article 4 (Extent of Land Use Rights and Ownership of Buildings)**

Every enterprise or individual shall be entitled to acquire land use

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rights or acquire buildings in the Industrial Zone. As used herein, the term "land use rights" shall not include any natural resources and deposits existing on, in, or under the land.

**Article 5 (Authorities for Administration)**

The Management Committee's responsibilities shall be to administer registration, acquisition, transfer, lease, and mortgaging of real estate within the Industrial Zone.

## **Chapter 2 Acquisition of Real Estate**

**Article 6 (Signing of Land Lease Contract)**

Concessionaires shall enter into a land lease contract with the General Bureau with respect to each phase of the Industrial Zone Development Plan. The land lease contract shall accurately state the location, area, use, lease period of, and rent for the land, as well as causes for cancellation of said contract.

**Article 7 (Issuance of Land Use Rights Certificate and Acquisition Date of Land Use Rights)**

Within fourteen (14) days of the date of signing a land lease contract, the General Bureau shall deliver to Concessionaires a land use rights certificate issued by the authority concerned. The date of receipt by Concessionaires of such a land use rights certificate shall be the effective date of the Concessionaires' ownership of said land use rights.

**Article 8 (Reckoning of Lease Period)**

The lease period with respect to land shall be reckoned from the date on which a Concessionaire has received the relevant land use rights certificate. However, in the event that such a land use rights

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certificate has been issued and delivered to a Concessionaire prior to signing the relevant land lease contract, the lease period shall be reckoned from the date of said contract.

The General Bureau may extend the land lease period by a period equal to the construction period reflected on the phased Industrial Zone development plan, as duly approved.

**Article 9 (Registration of Real Estate)**

The Management Committee shall accurately register the real estate concerns of Concessionaires, enterprises or individuals for each building and land use right. The rules applicable to registration of real estate shall be established and enforced by the Management Committee.

**Article 10 (Sale in Lots, Leasing, Prices and Rents of Real Estate)**

Sale in lots and leasing of real estate shall be carried out by Concessionaires, in accordance with the approved Master Development Plan.

Concessionaires shall set the prices for such sale in lots and rents for lease in a reasonable manner, on the basis of the relevant development costs.

**Article 11 (Third-party Ownership of Land Use Rights and Its Validity)**

The rights to use land located within the Industrial Zone may be acquired and owned either through sale in lots or transfer. In such a case the land use rights so acquired shall remain valid for the rest of the land lease period, starting from the date of the sale in lots or transfer.

**Article 12 (Submission of Application for Registration of Land Use Rights)**

A person having acquired land use rights shall submit to the

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Management Committee an application for registration thereof within fourteen (14) days of the date of signing the relevant contract, or a date specified in said lease contract. Such an application for registration of land use rights shall state information such as the acquirer's name and address, location and area of the land, and the date of sale in lots or transfer, and shall be accompanied by a copy of the relevant sale in lots or transfer agreement. Within seven (7) days of receipt of such an application, the Management Committee shall review the same and issue a land use right registration certificate to the applicant.

**Article 13 (Registration of Transfer of Land Not Available for Sale in Lots)**

With respect to land unavailable for sale in lots, such as roads and parks, Concessionaires shall transfer the title to the land use rights to the Management Committee and also register such transfer with the Management Committee.

The land use rights for such land shall be held by the Management Committee, effective on the date of registration of transfer.

**Article 14 (Duties of Holders of Land Use Rights)**

Holders of land use rights shall utilize the land in accordance with its purpose and actively protect said land.

**Article 15 (Imposition of and Exemption from Rents on Land)**

Rents on land shall be imposed on the holder of the rights to use said land, from the lease year beginning on the day 10 years after the date of signing of the relevant land lease contract between the General Bureau and Concessionaire.

The amount of rents on land shall be determined by the General Bureau and the Management Committee, in consultation with each



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other.

No rents on land shall be imposed on Concessionaires.

**Article 16 (Conditions for Revoking Land Use Rights)**

Land use rights legally acquired shall not be revoked for any reason, prior to the expiry date of the applicable land lease period. In the event that the General Bureau intends to revoke land use rights on any land for unavoidable reasons, such as for the public interest or otherwise, the General Bureau shall give one (1) year's prior notice thereof to the party concerned and make appropriate compensation for the remainder of the lease period or provide in exchange other land on the same terms. In such a case, compensation shall also be made for buildings and other fixtures existing on the relevant land

**Article 17 (Return of Land Use Rights)**

Upon expiration of the land lease contract, the holder of the land use rights shall return the land use rights certificate, or land use rights registration certificate, to the General Bureau through the Management Committee within ten (10) days of the expiration of the land lease period.

A party that has returned the land use rights certificate, or land use rights registration certificate, shall return the relevant piece of land to its original state within six (6) months. Notwithstanding the foregoing, such restoration of the land may be omitted if the buildings or other fixtures existing on said land are transferred to the DPRK either with or without compensation; if such land use rights have been revoked for unavoidable reasons, such as for the public interest or if an application for extension of the land use period has been rejected by the General Bureau.

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#### **Article 18 (Extension of Land Use Period)**

If necessary, a land use rights holder may continue to use the land even after the land lease period has expired. In such a case, the land use rights holder shall enter into a land lease contract with the General Bureau and receive a new land use rights certificate at least six (6) months prior to expiration of the land lease period. The General Bureau shall extend such land use period as requested by the land use right holder, unless it is unable to do so for unavoidable reasons, such as for the public interest.

If the General Bureau has rejected an application for extension of the land use period, the General Bureau shall make appropriate compensation for the buildings or other fixtures existing on the land.

#### **Article 19 (Qualifications for Building Ownership)**

No building shall be owned by any person other than the holder of the land use rights or the registered leasehold to the building site.

#### **Article 20 (Method of Acquiring Building Ownership)**

The ownership of a building may be acquired through either sale in lots or transfer of the building, be it existing or newly built. The ownership of the building shall take effect on the date when the building passes the inspection for completed structures, or in the case of an existing building that was sold in lots or transferred when it is registered with the Management Committee.

#### **Article 21 (Conditions for Building Construction)**

A person who intends to construct a building shall have the land use rights or registered leasehold to the land in question, in which case, the registered leaseholder shall obtain written consent from

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the land use rights holder.

**Article 22 (Registration of Building Ownership)**

A party that has constructed a new building shall submit to the Management Committee an application for registration of ownership of the building within fourteen (14) days of the date of the inspection for completed structures. In such a case, said application shall be accompanied by the certificate of inspection for completed structures and the land use rights registration certificate or leasehold registration certificate.

Upon receipt of an application for registration of building ownership, the Management Committee shall review the same and issue a building ownership registration certificate within seven (7) days of the date of receipt thereof.

### **Chapter 3 Transfer, Lease and Mortgage of Real Estate**

**Article 23 (Method of Transfer, Lease and Mortgage)**

A party that has registered its land use rights or building ownership may transfer, lease or mortgage such rights or building in whole or in part at its own discretion, without restriction within the period of use. A registered leaseholder of real estate may mortgage its registered leasehold.

**Article 24 (Principles for Transfer, Lease and Mortgage)**

A party to a transfer, lease, or mortgage of real estate that has been entered into within the Industrial Zone shall comply with the principles of fairness, sincerity, and credibility.

Under no circumstances shall any allowances be made for acts deemed to be detrimental to the public interest, such as engaging

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in fraud or speculation.

**Article 25 (Registration of Transfer, Lease and Mortgage)**

A transfer, lease, or mortgage of real estate shall become valid only upon registration thereof with the Management Committee. Every transferee, lessee, and mortgagee of real estate shall submit an application to the Management Committee for registration of such transfer, lease, or mortgage within fourteen (14) days of the date of occurrence of transfer, lease, or mortgage. The transferor, lessor and mortgager concerned shall provide the cooperation necessary for such registration. The registration of a lease of real estate may be omitted by mutual agreement between the parties to the lease contract, in which case the relevant leasehold shall remain valid only between said parties.

**Article 26 (Registration of Change in Transfer, Lease and Mortgage)**

If the cause of a transfer, lease or mortgage of real estate has terminated or otherwise ceased to exist, the transferee, lessee or mortgagee concerned shall complete the appropriate formalities within fourteen (14) days of the date of termination of such cause. In such a case, the respective transferor, lessor or mortgager may also submit an application for registration of a change therein, attaching the written consent of the transferee, lessee or mortgagee concerned within fourteen (14) days of the date of termination of such cause.

**Article 27 (Transfer, Lease and Mortgage of Concurrently Owned Land Use Rights and Buildings)**

If a party that possesses both land use rights and building ownership intends to transfer, lease, or mortgage either its land use rights or the building, the other (i.e., building ownership or

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land use rights, as the case may be) shall also be transferred, leased, or mortgaged at the same time. In such a case, the land use rights and building ownership shall be registered with the Management Committee at the same time as registration of such transfer, lease or mortgage. If a building owner does not hold the right to use the land on which the building is located and intends to transfer, lease or mortgage the building, he/she shall obtain the consent of the land use rights holder.

**Article 28 (Cancellation of Transfer, Lease and Mortgage Resulting from Fraud or Duress)**

If a transferor, lessor, or mortgager has transferred or leased real estate, or mortgaged real estate or a registered leasehold, due to fraud or duress on the part of the respective transferee, lessee, or mortgagee, the transferor, lessor, or mortgager may cancel the relevant transfer, lease or mortgage within three (3) months of the date when he/she becomes aware of the fact. If a transferee, lessee, or mortgagee has transferred, leased or mortgaged real estate due to a third party's fraud or duress, he/she may cancel the relevant transfer, lease or mortgage within three (3) months of the date when he/she becomes aware of the fact.

**Article 29 (Cases in which Cancellation of Transfer, Lease or Mortgage Is Prohibited)**

A transferor, lessor, or mortgager may not cancel the relevant transfer, lease or mortgage if three (3) years have elapsed since the date of such transfer, lease, or mortgage, or if the respective transferee, lessee, or mortgagee has transferred the real estate, granted a registered leasehold thereto, or transferred a mortgage thereon to a third party that is unaware of any fraud or duress involved with the transfer, lease or mortgage.

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**Article 30 (Transfer of Real Estate)**

A person having acquired real estate may transfer the same to a third party. A contract must be signed by the parties concerned for a transfer by purchase and sale, exchange, or gift.

**Article 31 (Purchase and Sale of Real Estate)**

Real estate may be purchased and sold by means of negotiations, bidding, public sale, etc. A person who intends to purchase or sell real estate by means of bidding or public sale shall give public notice, in advance, of the procedure and method for the proposed bidding or public sale.

**Article 32 (Inheritance of Real Estate)**

If an owner of real estate dies, all of his/her property rights and obligations related to said real estate shall be handed over to his/her heir(s). In such a case, obligations shall be transferred to heir(s) within the limits of said real estate's value. Decisions on whether or not a person is a legitimate heir, what ratio is applicable to the distribution of inherited property, etc. shall be made in accordance with the laws of the country or region to which the deceased belonged at the time of death.

**Article 33 (Registration of Inheritance)**

An inheritance shall remain valid, even if it is not registered at all. However, any inherited property may be transferred, leased or mortgaged only if it has been duly registered.

**Article 34 (Giving Notice to Lessee)**

If a lessor intends to transfer real estate that is already leased, the lessor shall give the lessee notice thereof. Notwithstanding the foregoing, if a person has inherited real estate that is already leased, he/she shall

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not be required to give the lessee notice of such inheritance.

**Article 35 (Transferee's Rights and Obligations)**

A transferee of real estate shall take over all of the transferor's rights and obligations as they are, even if these are not specified separately in the applicable transfer agreement. The period in which a transferee is entitled to use the real estate taken over by him/her shall not exceed the remainder of the transferor's land use period.

**Article 36 (Lease Period of Real Estate)**

A lessee of real estate shall be entitled to use the land or building for the period set forth in the applicable lease contract, within the lessor's land use period.

**Article 37 (Lessee's Duties)**

The lessee shall utilize real estate in accordance with the terms and conditions set forth in the applicable lease contract and return the real estate to the lessor upon termination or expiration of the contract term. Unless otherwise specified in the applicable lease contract, a registered leaseholder may sublease the leased real estate to a third party. However, a lessee who is not a registered leaseholder may not sublease the leased real estate to a third party without the lessor's consent.

**Article 38 (Obligation to Repair Leased Buildings)**

The repair of leased buildings shall be the lessor's responsibility. If a lessor must repair a building due to a fault on the lessee's part, the lessor may have the lessee bear the costs incurred for such repair. If it is necessary to repair a building, the lessee shall advise the lessor thereof and shall take necessary measures to prevent any damage. The lessee may request the lessor to

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reimburse the costs incurred by him/her for any building repairs that were not its responsibility.

**Article 39 (Lessor's Right to Cancel Lease Contract)**

In the case where the lease period is not separately specified in the lease contract, a lessor shall have the right to cancel the lease contract by giving notice to the lessee. Such cancellation of the lease contract shall come into effect six (6) months after the date of receipt by the lessee of the cancellation notice.

**Article 40 (Causes for Cancellation of Lease Contract by Lessor)**

The lessor may cancel the lease contract in any of the following situations:

1. The lessee changes the use of the real estate without the lessor's consent;
2. The lessee fails to pay rent by the due date more than three (3) times; or
3. Any of the other causes for cancellation stipulated in the lease contract occurs.

**Article 41 (Causes for Cancellation of Lease Contract by Lessee)**

A lessee who wishes to cancel the lease contract prior to the expiration of its term may cancel the contract by giving the lessor three months' prior notice of his/her intent to do so. Except for cancellation as per the above, the lessee shall indemnify the lessor for any loss or damages suffered by the lessor as a result of the lessee's cancellation of the lease contract.

**Article 42 (Causes for Immediate Cancellation of Lease Contract)**

A lessee may immediately cancel the lease contract in any of the



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following situations:

1. The real estate is unavailable for the use set forth in the lease contract, due to a fault on the part of the lessor;
2. The lessee is unable to achieve the purposes of the lease contract because of damage to the leased real estate, in whole or in part, through no fault of its own; or
3. Any of the other causes for cancellation stipulated in the lease contract occurs.

**Article 43 (Registration and Return of Leasehold Deposit)**

If a lessee has made a leasehold deposit with the lessor pursuant to the lease contract, the lessee may also register the leasehold deposit together with the leasehold. Once the term of the lease contract expires or the lease contract is cancelled, and the real estate is returned to the lessor, the lessor shall return such a leasehold deposit to the lessee.

**Article 44 (Protection of Lessee)**

If a lessor fails to return any leasehold deposit to a registered leaseholder, the leaseholder may submit an application to the Management Committee for public sale of the real estate. The Management Committee may pay to the registered leaseholder the applicable leasehold deposit out of the proceeds from such public sale of the real estate in question. In such a case, if a mortgage has already been established on said real estate at the time of application for public sale, proceeds from the public sale shall be distributed to the lessee and mortgagee(s) in the order of their registration.

**Article 45 (Creation and Disposal of Mortgage)**

A party that owns real estate or a registered leasehold may

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mortgage such real estate or registered leasehold in order to secure its or a third party's obligations. A person who intends to own a mortgage shall also register, together with the mortgage itself, such information as the debtor, debt amount or maximum mortgage amount, schedule for debt payment, interest and time for payment thereof, and the mortgage coverage.

**Article 46 (Subordinate Mortgage)**

A mortgager may additionally mortgage any object that has already been mortgaged, in which case the priority of such mortgages shall be in accordance with the order of registration thereof.

**Article 47 (Notification of Mortgage)**

If a lessor has mortgaged real estate that is already leased, the lessor shall promptly notify the lessee of the cause thereof.

**Article 48 (Use of Mortgaged Object and Obligation to Notify of Transfer)**

A mortgager may use a mortgaged object as it is, in which case the mortgager shall keep the same with care in order to prevent any deterioration of its value. If the mortgager intends to transfer any mortgaged object, he/she shall give prior notice to the mortgagee thereof.

**Article 49 (Mortgagee's Rights)**

If the value of a mortgaged object has significantly deteriorated, the mortgagee may request that the mortgager provide an additional security or immediately pay the amount of debt equal to the value so reduced.

**Article 50 (Extent of Exercising Mortgage)**

A mortgage may be exercised against any insurance benefits or

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damages that the mortgager is entitled to receive due to a cause such as deterioration in value or loss of the mortgaged object. In such a case, the mortgagee shall advise the party paying the benefits or damages ("paying party") of his/her relevant rights and the content of the applicable mortgage agreement (after having obtained confirmation from the Management Committee), prior to any payment, and then collect such benefits or damages from the paying party.

**Article 51 (Expiration of Mortgage)**

A mortgage shall expire in the following cases:

1. The debts secured by the mortgage are paid in conformity with the mortgage agreement;
2. The mortgager repays its debts using other property, by mutual agreement between the mortgagee and the mortgager; or
3. The mortgagee has waived the mortgage at its own discretion.

**Article 52 (Disposal of Mortgaged Objects)**

The mortgagee may submit an application to the Management Committee for the public sale of a mortgaged object if the debtor fails to pay its debts within the debt payment period, or if the debtor dies prior to expiration of the debt payment period and there exists no heir. The Management Committee shall dispose of the mortgaged object in an equitable manner.

**Article 53 (Distribution of Proceeds from Disposal of Mortgaged Object)**

If the Management Committee disposes of a mortgaged object as per the mortgagee's application, it shall first pay the prescribed priority deductibles, such as taxes, fees, and expenses for the

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disposal of the mortgaged object, out of the proceeds from such disposal and then distribute the rest of the proceeds to the lessee and mortgagee in the order of registration of the leasehold or mortgage concerned. If there remains any portion of proceeds after such distribution, it shall be given to the mortgagee. The amount to be distributed to the lessee shall include any prepaid leasehold deposits, while the amount to be distributed to the mortgagee shall include the debt principal and interest thereon, penalties, and liquidated damages for delay that may have accrued for up to one (1) year.

**Article 54 (Ownership of Real Estate through Public Sale)**

If any real estate has been acquired through public sale, the ownership of said real estate shall take effect when payment for the real estate has been made in full. The ownership of real estate may be transferred, leased or mortgaged only if it is duly registered.

**Article 55 (Fees for Registration of Real Estate)**

The Management Committee may collect fees for registration of real estate from the parties to the transactions. The amount of such registration fees shall be determined by the Management Committee.

## **Chapter 4 Disciplinary Measures**

**Article 56 (Punishment for Extraction of Natural Resources and Deposits)**

If a party has illegally extracted any natural resources or deposits existing in, on, or under the land, or earned any unjust income as a result, it may be subject to the imposition of penalties.

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**Article 57 (Punishment for Violation of Land Use Procedure)**

If a party changes the use of land without approval, utilizes land beyond the prescribed area, fails to protect land properly, utilizes land without a land use rights registration certificate, or transfers or mortgages land without registration, it may be subject to the imposition of penalties.

**Article 58 (Punishment for Violation of Procedure for Registration, Transfer, Lease and Mortgage of Buildings)**

If a party has transferred, leased or mortgaged buildings without registration of said buildings, it may be subject to the imposition of penalties.

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# **Insurance Regulations for the Gaeseong Industrial Zone**

Adopted as Decision No. 35 (September 21, 2004)  
by the Standing Committee of the Supreme People's Assembly

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## **Article 1 (Purpose)**

The purpose of these Insurance Regulations (hereinafter referred to as "Regulations") for the Gaeseong Industrial Zone (hereinafter referred to as "Industrial Zone") is to provide, in a complete and substantial manner, the procedure and order for conducting insurance-related matters in the Industrial Zone, thereby providing stability for enterprises' activities and the daily lives of individuals residing or staying therein.

## **Article 2 (Subject of Application)**

These Regulations shall apply to enterprises and their branches, sales offices, and liaison offices (hereinafter referred to as "corporation(s)"). These Regulations shall also apply to ROK citizens, Koreans from overseas, and foreigners (hereinafter referred to as "individual(s)") who are staying or residing in the Industrial Zone.

## **Article 3 (Industrial Zone Insurance Company)**

Within the Industrial Zone, insurance-related matters shall be conducted by the Industrial Zone insurance company. Detailed procedures and regulations applicable to the establishment and operation of said insurance company shall be prescribed by the

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General Bureau.

**Article 4 (Establishment of Branches and Offices)**

The Industrial Zone insurance company may establish branches or offices within the Industrial Zone to engage in the insurance business.

**Article 5 (Principle of Insurance Business)**

A corporation or individual that intends to take out any insurance shall purchase an insurance policy from the Industrial Zone insurance company (hereinafter referred to as "insurer").

**Article 6 (Subject of Mandatory Insurance)**

It is mandatory for every corporation and individual to take out appropriate insurance to cover the following losses and damages:

1. Physical loss or damage to buildings and machinery that may arise due to fire, explosion, or natural disaster;
2. Loss or damages due to a gas-related accident, including death or bodily injury of a third party and property damage;
3. Loss or damages due to an automobile accident, including death or bodily injury of a person and damages to other property; and
4. Loss or damages suffered by an employee due to a work-related accident (except employees for whom the employing enterprise is required to pay a social insurance premium)

**Article 7 (Entering into Insurance Contract)**

An insurance contract shall be entered into between the insurer and the corporation or individual that intends to take out insurance (hereinafter referred to as "insured"). The insurer may

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execute such an insurance contract through an insurance agent. Insurance contracts shall be made in writing.

**Article 8 (Application for Insurance Contract)**

The insured who intends to take out insurance shall submit to the insurer an application for an insurance contract. Such application shall accurately state the party to be insured, insured value or amount, policy period, insurance coverage, and the like.

**Article 9 (Conclusion of Insurance Contract)**

The insurance contract shall be deemed to have been concluded when the insurer has consented to the insured's application for an insurance contract and issued an insurance policy to the insured.

**Article 10 (Date of Effectiveness of Insurance Contract)**

An insurance contract shall come into effect when the insured begins to pay insurance premiums. The insurer shall not be liable for any damages that have occurred before the insured pays the insurance premiums.

**Article 11 (Payment of Insurance Premiums)**

Unless otherwise stipulated in the insurance contract, the insured shall pay insurance premiums prior to commencement of the policy period. Insurance premiums may be paid in full at one time or in installments, depending on the terms of the insurance contract.

**Article 12 (Delay in Payment of Insurance Premiums and  
Invalidation/Cancellation of Insurance Contract)**

If the insured fails to pay the prescribed insurance premiums, the



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insurance contract shall become invalid after two months have elapsed since the date of signing the insurance contract. If part of the insurance premiums has been paid and the balance thereof is not paid in full on or before the prescribed due date, the insurer shall set another due date for payment and may cancel the insurance contract if the balance remains unpaid on or before the new due date. In the case of an insurance contract entered into on behalf of a third party, if the insured is overdue on payment of insurance premiums, the insurer shall set another due date for payment thereof and may cancel the insurance contract if the insured still fails to pay the unpaid balance on or before the new due date.

**Article 13 (Transfer of Insurance Policy)**

If the insured intends to transfer an insurance policy, the insured shall obtain the written consent of the insurer. If an insurance policy is transferred, the insured's rights and obligations under the insurance contract shall be transferred to the transferee of such insurance policy.

**Article 14 (Notification of Change in Insured Risks)**

If there occurs any change in the insured risks within the policy period, the insured shall promptly notify the insurer thereof. If the insured risks or the insured amount has increased, the insurer shall charge the insured a greater insurance premium corresponding to the increased insurance risks or amount. If the insured risks or the insured amount has decreased, the insurer shall refund to the insured the insurance premium corresponding to the reduced portion thereof.

**Article 15 (Investigation of Maintenance of Insured Objects)**

The insurer may investigate the condition in which an insured

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object is kept and maintained by the insured and may also request the insured to eliminate any shortcomings revealed in the course of such investigation, if any.

**Article 16 (Notice of Occurrence of Accident Insured Against)**

Upon occurrence of any accident insured against, the insured shall notify the insurer thereof within forty-eight (48) hours and shall preserve the scene of the accident so that losses and damages can be ascertained.

**Article 17 (Insured's Obligation to Reduce Damages)**

If an accident that has been insured against arises, the insured shall take appropriate measures to prevent any expansion of damages. The insurer shall bear and pay all reasonable expenses incurred by the insured to prevent any increase in damages.

**Article 18 (Appraisal of Accident Insured Against)**

Upon occurrence of an accident that has been insured against, the insurer may arrange for an appraisal of such accident. Such appraisal shall be carried out solely by an expert appraisal organization or a person possessing appropriate qualifications.

**Article 19 (Submission of Claim for Damages)**

If an accident that has been insured against occurs, the insured shall submit to the insurer a claim for damages under the insurance policy within thirty (30) days. In this case, the claim shall be accompanied by materials that verify the cause of such accident and the extent of damages. In the event that the insured is unable to submit such a claim on or before the specified deadline, the insured shall advise the insurer of the reason why.

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**Article 20 (Deadline for Payment of Insurance Benefits)**

Damages under the insurance policy shall be paid within thirty (30) days of the date of receipt by the insurer of the claim for damages. The insurer shall not refuse to make payment of such damages without reasonable grounds.

**Article 21 (Payment of Damages under Liability Insurance Policy)**

If the insured holds a liability insurance policy and has caused loss or damages to a third party's life or property, the insurer may pay damages directly to the third party that has suffered such loss or damages.

**Article 22 (Securing the Right to Claim Damages)**

If an accident insured against has been caused by a third party, the insured shall maintain the right to claim damages from said third party.

**Article 23 (Causes for Cancellation of Insurance Contract by the Insurer)**

The insurer may cancel the insurance contract in any of the following cases:

1. The insured object ceases to exist within the policy period;
2. The insured fails to notify the insurer of a change in insured risks within the policy period;
3. The insured fails to respond to the insurer's investigation or take appropriate measures in accordance with the insurer's recommendations;
4. The insured intentionally causes to occur an accident that is insured against or makes a false report on the occurrence of an accident and claims damages under the insurance policy; or

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5. There exist any other justifiable grounds for cancellation.

**Article 24 (Causes for Cancellation of Insurance Contract)**

An insurance contract shall be canceled in any of the following cases:

1. The insurer is unable to again conduct insurance business, due to an unavoidable reason;
2. A party to the insurance contract becomes insolvent; or
3. A party to the insurance contract falls into bankruptcy or is dissolved.

**Article 25 (Statute of Limitation on Claim for Damages under Insurance Policy)**

The statute of limitation on the claim for damages with respect to an accident insured against shall be two (2) years after the date of such accident's occurrence.

**Article 26 (Fines)**

A violation of Article 5 of these Regulations may be subject to imposition of a fine of up to US\$10,000.

**Article 27 (Settlement of Disputes)**

Disputes between parties that arise in relation to an accident that is insured against shall be settled by negotiation between said parties. Any dispute that cannot be settled by negotiation may be settled by arbitration, judicial proceedings, or the procedure for settling commercial disputes that has been agreed upon by the DPRK and ROK.

**Article 28 (Treatment under Insurance Policy)**

All matters that are not specifically prescribed in these Regulations shall be treated in accordance with the relevant insurance policy.

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# Accounting Regulations for the Gaeseong Industrial Zone

Adopted as Decision No. 58 (June 28, 2005 (Juche 94))  
by the Standing Committee of the Supreme People's Assembly

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## Chapter 1 General Provisions

### Article 1 (Purpose)

The purpose of these Accounting Regulations (hereinafter referred to as "Regulations") for the Gaeseong Industrial Zone (hereinafter referred to as "Industrial Zone") is to provide, in a complete and substantial manner, the procedure and order for enterprises to conduct accounting calculations and prepare accounting documents, thereby guaranteeing the objectivity and rationality of accounting and contributing to the improvement of corporate management.

### Article 2 (Subject of Accounting)

Each of the enterprises registered with the Management Committee shall be required to maintain accounts. In addition, an enterprise's branch or sales office or an individual proprietor (hereinafter referred to as "enterprise") whose total investment amounts to US\$1 million or more, or whose sales revenue of goods and services for the preceding year amounts to US\$3 million or more, shall also be required to keep accounts.

### Article 3 (Responsibility for Accounting)

The accounting for an enterprise shall be the responsibility of accounting staff members, such as accountants, counters and

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cashiers. An enterprise whose accounting workload is not very heavy may consign its accounting to the accounting audit office.

**Article 4 (Accounting Currency and Unit)**

The currency used for accounting in the Industrial Zone shall be the United States dollar. The applicable currency unit may be one (1) thousand, ten (10) thousand or one (1) million U.S. dollars, depending on the volume of an enterprise's economic transactions.

**Article 5 (Fiscal Year)**

The fiscal year applicable to enterprises shall begin on January 1 and end on December 31 of each year. The [first] fiscal year of a newly established enterprise shall begin on the date of commencement of operation and end on December 31 of the same year. The [last] fiscal year of an enterprise being dissolved shall begin on January 1 of the year of dissolution and end on the date of dissolution.

**Article 6 (Language of Accounting Documents)**

Accounting documents shall be prepared in the Korean language. If necessary, such documents may be prepared in a language other than the Korean language, in which case a translation thereof into Korean shall be attached to the original.

**Article 7 (Application of Accounting Regulations and Practice)**

Enterprises operating within the Industrial Zone shall maintain accounts in compliance with these Regulations and other relevant regulations, such as the Corporate Finance Regulations, Accounting Audit Regulations, and Tax Regulations for the Gaeseong Industrial Zone. Matters that are not specifically prescribed in these Regulations shall be handled in accordance with internationally

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accepted accounting practices.

**Article 8 (Formulation of Financial Accounting Standards)**

The Management Committee shall formulate the financial accounting standards applicable to the Industrial Zone, in accordance with these Regulations *mutatis mutandis*. In this case, the Management Committee shall consult the General Bureau regarding the integral content of the standards.

**Article 9 (Enterprise's Responsibility for Accounting)**

The representative director of an enterprise shall be responsible for matters related to the enterprise's accounting. The representative director shall not direct any of the enterprise's employees to keep accounts in any unlawful manner.

## **Chapter 2 Accounting Calculation**

**Article 10 (Requirements for Accounting Calculation)**

Accounting calculation is an important business that includes the preparation of accounting documents based on economic transactions that have taken place, computation of prescribed calculations and record thereof in the account books, and periodic preparation of a statement of accounts. Enterprises shall strictly comply with the prescribed procedure for accounting calculation.

**Article 11 (Cases Requiring Accounting Calculation)**

Enterprises shall conduct a calculation of accounts in the following cases:

1. Deposit or withdrawal of funds in currency;
2. Issuance or acquisition of securities;

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3. Acquisition or transfer of property;
  4. Creation or settlement of accounts receivable or payable;
  5. Increase or reduction in capital or funds;
  6. Accrual of revenue or expenditure;
  7. Final determination or distribution of profit/loss; or
  8. Occurrence of any other event requiring accounting calculation.

#### **Article 12 (Principles of Accounting Calculation)**

In conducting calculation of accounts, the following principles shall be complied with:

1. Accounting records shall be based on lawful and objective data and evidence;
2. Accounting titles and terminology shall be expressed simply and clearly;
3. Establishment and classification of accounting titles, the time of calculation, and valuation of assets shall be consistently applied on an ongoing basis, so as to provide comparability between accounting periods, and shall not be changed without sufficient grounds;
4. Capital transactions and capital surplus shall be accurately distinguished from profit/loss transactions and retained earnings, respectively; and
5. Any significant financial information regarding account titles and amounts shall be specifically disclosed in the statement of accounts.

#### **Article 13 (Preparation of Accounting Documents)**

Accounting documents shall be prepared in the following manner:

1. Records shall be kept in black ink;



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2. Accounting documents shall be prepared immediately following the occurrence of any economic transaction;
  3. All the information required in an applicable form shall be completely filled in;
  4. Amounts of money shall be repeated in the Korean language; and
  5. Each accounting document shall be sealed or signed by the person who has directed the relevant economic transaction or is responsible for execution of such transaction.

**Article 14 (Issuance and Receipt of Accounting Documents)**

Once an enterprise has entered into an economic transaction, the enterprise shall issue or receive any accounting document(s) related to the transaction. If an enterprise receives an accounting document, such document shall be kept by the accountant in charge.

**Article 15 (Review and Processing of Accounting Documents)**

Upon receipt of any accounting document, the enterprise shall review and verify the accuracy of its format, entered information, and calculation. Any incomplete, and therefore invalid, accounting document shall be returned to the issuer, with the prior approval of the representative director or accounting department manager of the enterprise concerned.

**Article 16 (Revision and Re-execution of Accounting Documents)**

Upon receipt of any incomplete accounting document returned by the recipient, an enterprise shall take steps to have the incomplete content of such document revised and shall have the person making such revisions stamp his/her seal thereon. Any accounting document on which an amount of money is erroneously entered shall be re-executed.

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**Article 17 (Use of Account Titles)**

Enterprises shall use the account titles prescribed by the Management Committee. In such cases, important economic transactions may be listed under new accounts with the approval of the Management Committee, while ordinary economic transactions may be listed as combined into similar accounts.

**Article 18 (Preparation of Account Books)**

Each enterprise shall keep account books, which shall be divided into general account books and account books for itemized calculation. General account books shall be subdivided into daily books and general ledgers so as to calculate business transactions in terms of their time of occurrence and nature. Account books for itemized calculations shall be subdivided by the object of calculation.

**Article 19 (Preparation of Account Books)**

Account books shall be prepared using a double-entry bookkeeping system and be based on accounting documents duly reviewed and verified. Account books shall be of a standard format.

**Article 20 (Checking Account Books with the Corresponding Articles)**

Each enterprise shall check the content of its account books with respectively corresponding articles. If any discrepancy exists between the content of account books and the corresponding articles, the enterprise shall determine the cause of such discrepancy and adjust the content of the account books accordingly.

**Article 21 (Correction of Account Books)**

Account books shall be corrected in the following manner:

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1. In the case of an entry erroneously made in an account book prior to closing, cross it out, using two parallel lines in red, and rewrite it.
  2. In the case of any entry erroneously made in an account book after closing, cancel the incorrect entry, re-document the relevant economic transaction correctly, and record the correct entry accordingly.
  3. If an amount of money is erroneously entered in an account book, make an additional entry that shows the correct amount.
  4. Stamp the accountant's seal wherever any correction has been made.

#### **Article 22 (Valuation of Assets)**

Assets shall be valued in the following manner:

1. Assets shall be valued on the basis of acquisition cost.
2. In the case of assets acquired by exchange, investment in kind, donation, or without compensation, the fair value of such assets shall be used as their acquisition cost.
3. Interest expenses and other similar expenses accrued on loans used for the manufacture, purchase, and construction of investments and tangible or intangible assets shall be added to the acquisition cost of such assets.
4. Acquisition costs shall be allocated by fiscal year, in accordance with the standards for cost accounting for each type of asset.

#### **Article 23 (Calculation of Revenue)**

Revenue shall be calculated in the following manner:

1. Sales revenue of merchandise and finished goods shall be recognized at the time such merchandise and finished goods

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- are sold and delivered.
2. Consignment sales revenue shall be recognized at the time the consigned goods are sold and delivered by the consignee.
  3. Revenue from construction and delivery of buildings, provision of services, and pre-contract sales shall be recognized according to the percentage-of-completion method.
  4. Revenue from long-term installment sales shall be recognized according to the extent to which the collection period has elapsed.

#### **Article 24 (Calculation of Costs)**

Costs shall be calculated in the following manner:

1. Manufacturing costs shall be calculated based on actual consumption in the course of the manufacture of products.
2. Sales costs shall only include the costs and expenses related to such sales revenue.
3. Sales and administrative expenses shall be calculated based on the expenses actually incurred.
4. Interest expenses and other financial expenses shall be calculated according to the extent to which the applicable interest-accruing period has elapsed.

#### **Article 25 (Preparation of Balance Sheet)**

The balance sheet shall be prepared in the following manner:

1. Finances shall be classified as assets, liabilities or stockholders' equity. Assets shall be further classified as current assets or non-current assets, and liabilities as current liabilities or long-term liabilities, based on the one-year rule. Stockholders' equity shall be further classified as capital stock, capital surplus,

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- retained earnings, or capital adjustments.
2. The balance sheet shall be presented in a format in which the amount of total assets is compared to the sum of total liabilities and total stockholders' equity.
  3. Assets, liabilities and stockholders' equity shall be presented in their respective gross amounts.
  4. Assets and liabilities shall be arranged on the balance sheet in the order of their liquidity.

#### **Article 26 (Preparation of Income Statement)**

The income statement shall be prepared in the following manner:

1. Profits (or losses) shall be classified as gross profits, operating income, ordinary income, income before income tax expenses, or net income.
2. Revenue and expenses shall be classified according to their respective sources, and gross revenue shall be presented in comparison to gross expenses.
3. Revenue and expenses shall be reported and allocated according to accounting period on an accrual basis.
4. Revenue and expense accounts shall be presented in gross amounts.

#### **Article 27 (Preparation of Statement of Appropriation of Retained Earnings and Disposition of Accumulated Deficit)**

The statement of appropriation of retained earnings and disposition of accumulated deficit shall be prepared in the following manner:

1. The appropriation of retained earnings shall be classified as retained earnings before appropriations, transfers from voluntary reserves, appropriations of retained earnings, or unappropriated

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retained earnings to be carried over to the subsequent period, while disposition of accumulated deficit shall be classified as accumulated deficit before disposition, disposition of accumulated deficits, and undisposed accumulated deficit to be carried over to the subsequent period.

2. The sum of retained earnings before appropriations and transfers from voluntary reserves shall be presented in comparison with the sum of appropriations of retained earnings and unappropriated retained earnings to be carried over to the subsequent period. Accumulated deficit before disposition shall be presented in comparison with the sum of disposition of accumulated deficits and undisposed accumulated deficit to be carried over to the subsequent period.
3. The appropriation of retained earnings and disposition of accumulated deficits shall be presented in gross amounts.

**Article 28 (Preparation of Statement of Cash Flow)**

The statement of cash flow shall be prepared in the following manner:

1. Cash flow shall be classified as that resulting from operating activities, investment activities, or financing activities.
2. The closing cash balance shall be presented as the sum of the opening cash balance and the increase or decrease in cash during the accounting period.
3. Cash inflow and outflow shall be presented in gross amounts, without offsetting an increase in one against a decrease in the other.

**Article 29 (Preparation of Statement of Accounts)**

The statement of accounts shall be prepared in the following manner:

1. The balance sheet, income statement, statement of appropriation

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- of retained earnings and disposition of accumulated deficit, and statement of cash flow shall be reviewed and analyzed in conjunction with one another and then compiled together.
2. Cost schedules for each business line shall be attached to the statement of accounts.
  3. Accounting data for the current year shall be presented in comparison with that for the preceding year.
  4. The income statement shall be prepared in report form while the balance sheet shall be prepared in accounting form.
  5. Explanations of accounting details that may be misunderstood shall be attached to the statement of accounts.

**Article 30 (Cycle of Preparing Statement of Accounts)**

A statement of accounts shall be prepared on a monthly, quarterly, semi-annual, and annual basis. It is mandatory for enterprises to prepare an annual statement of accounts, but preparation of a monthly, quarterly, or semi-annual statement of accounts shall be subject to the provisions of each enterprise's bylaws.

**Article 31 (Deadline for Preparing Statements of Accounts)**

The deadline for preparing statements of accounts shall be as specified below:

1. For a monthly statement of accounts, no later than the 6th day of the immediately following month;
2. For a quarterly statement of accounts, no later than the 15th day of the month immediately following the end of the quarter;
3. For a semi-annual statement of accounts, within thirty (30) days of the end of the half year; and
4. For an annual statement of accounts, within sixty (60) days after the close of the fiscal year.

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### **Article 32 (Signing Statement of Accounts)**

A statement of accounts shall be signed by the representative director and the accounting department manager of the enterprise concerned. The representative director and accounting department manager shall be responsible for such a statement of accounts.

### **Article 33 (Obligation to Receive Accounting Audit)**

Every enterprise shall submit its annual statement of accounts to the accounting audit office established in the Industrial Zone within sixty (60) days of the close of each fiscal year. The annual statement of accounts shall become valid only if it has received an accounting audit. An accounting audit regarding a monthly, quarterly, or semi-annual statement of accounts may be conducted upon the request of the enterprise concerned.

### **Article 34 (Prohibition of Unlawful Calculation)**

The following acts shall be prohibited in the process of making accounting calculations:

1. Changing without approval the standards for valuation or the methods of calculation of assets, liabilities, and stockholders' equity, making any false entry, or omitting any entry thereof;
2. Concealing any revenue and postponing or accelerating the calculation of revenue;
3. Changing without approval the point of time for and the methods of calculating expenses and costs, making any false entry, or omitting any entry thereof;
4. Changing without approval the methods of calculating and/or distributing profits, creating any false profit, or concealing any profit; or
5. Violating any of the regulations applicable to accounting in the



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Industrial Zone.

## **Chapter 3 Accounting Documentation**

### **Article 35 (Classification and Format of Accounting Documentation)**

Accounting documentation shall include accounting documents, account books, and statements of accounts. The format of accounting documentation shall be determined by the Management Committee, in consultation with the General Bureau.

### **Article 36 (Definition and Classification of Accounting Documents)**

Accounting documents shall constitute the basis for accounting calculations that reflect the economic transactions of the enterprise concerned. Accounting documents shall include vouchers, slips, journals, and summary sheets.

### **Article 37 (Content Included in Accounting Documents)**

Each accounting document shall include the following:

1. Title of the accounting document;
2. Serial number and date of issue;
3. Basis and description of economic transactions, including the name, quantity, unit price, and amount of goods;
4. Purpose of economic transactions;
5. Seals of the receiving party and cashier, in the case of documents related to cash transactions; and
6. Name and address of the issuing organization.

### **Article 38 (Definition and Classification of Account Books)**

Account books shall refer to accounting documentation for recording and calculating in certain formats business transactions

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that are reflected in accounting documents. Account books shall include daily journal books, general ledgers, and account books for itemized calculation.

**Article 39 (Content Included in Accounting Books)**

The content to be included in each accounting book shall be as follows:

1. The cover shall state the fiscal year, title of the account book, account number, and enterprise's name.
2. The first page shall include the table of contents and page numbers according to content.
3. Beginning with the second page, the accounting book shall state relevant information, including the page number, date of preparation of accounting documents, journal description number, and the content and amount of relevant economic transactions.
4. The last page shall bear the seal of the accounting department manager who checked the closing of the account book.

**Article 40 (Definition and Classification of Statement of Accounts)**

A statement of accounts refers to an accounting document that reflects by period the causes and effects of an enterprise's financial conditions, management performance, disposition of profits (or losses), and cash flow, based on economic transactions arising during the period in which accounts are settled. A statement of accounts shall include financial statements, annotations to financial statements, and statements of financial conditions.

**Article 41 (Content Included in Statements of Accounts)**

Financial statements shall consist of a balance sheet, income

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statement, statement of appropriation of retained earnings (or disposition of accumulated deficit), and a statement of cash flow. Annotations to financial statements shall consist of explanations concerning the disposition of substantial assets, detailed data regarding significant items, and other data necessary to understand and analyze said financial statements. In addition, the statement of financial conditions shall contain such information as descriptions of production management conditions, final determination of profits, and distribution of profits.

**Article 42 (Period for Preservation of Accounting Documentation)**

Each enterprise shall preserve accounting documentation for the following periods:

1. Accounting documents for five (5) years;
2. Account books for ten (10) years;
3. Annual statements of accounts for ten (10) years; and
4. Monthly, quarterly, and semi-annual statements of accounts for the period as specified in the bylaws of the enterprise concerned.

**Article 43 (Reckoning of Period for Preservation of Accounting Documentation)**

The period for preservation of accounting documentation shall be calculated from the respective dates as follows:

1. For accounting documents, from the date immediately following the end of the fiscal year;
2. For account books, from the date immediately following the day of closing thereof; and
3. For statements of accounts, from the date on which the statement of accounts received an accounting audit.

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**Article 44 (Preservation of Accounting Documentation)**

Accounting documentation shall be kept at the enterprise concerned, under the responsibility of the accounting department manager. In the case of an enterprise that is being merged, split off, or dissolved, its board of directors shall designate a location and a person responsible for the preservation of the accounting documentation.

## **Chapter 4 Monitoring and Regulation of Accounting**

**Article 45 (Authority for Monitoring and Regulation of Accounting)**

Monitoring and regulation of accounting within the Industrial Zone shall be the responsibility of the General Bureau. The General Bureau may establish an internal department to head the monitoring and regulation of enterprises' accounting.

**Article 46 (Method of Monitoring Accounting)**

Monitoring of accounting shall be conducted by reviewing statements of accounts and relevant accounting audit reports. In the event that any illegal activity is revealed, the General Bureau shall advise the Management Committee thereof and may independently investigate the accounting affairs and practices of the enterprise concerned.

**Article 47 (Internal Corporate Accounting Audit System)**

Each enterprise shall separate the activities of preparing general account books, having custody of assets, and conducting an internal accounting audit, and shall also set forth the scope, period, and method of due diligence. In addition, each enterprise shall clearly specify the limits of responsibility for important

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economic activities such as investment, disposal of assets, and funding.

**Article 48 (Prohibition against Cashier Concurrently Holding Posts)**

An enterprise shall not have its cashier concurrently hold posts that involve the recording and calculating of account books or the preservation of accounting documentation.

**Article 49 (Handing over Accounting Affairs)**

An accountant who has been transferred, called up, treated for any disease, or dismissed shall hand over accounting affairs to his/her successor in the presence of a third party. A hand-over and take-over thereof between accountants shall be conducted in the presence of the accounting department manager, while that between accounting department managers shall be done in the presence of the enterprise's representative director.

**Article 50 (Indemnity)**

If a person has caused losses or damages to a third party in the course of carrying out accounting affairs, said person shall indemnify the third party for such losses and damages.

**Article 51 (Suspension from Accounting Affairs)**

If a person has omitted any substantial data or made any mistake in preparing a statement of accounts, he/she shall be suspended from conducting any accounting affairs for a period of not less than six (6) months and not more than one (1) year. In the event that a person has prepared accounting that is not in conformity with the corresponding facts and received gifts in return, he/she shall be suspended from conducting any accounting affairs for a period of one (1) year or longer.

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### **Article 52 (Imposition of Fines)**

Fines shall be imposed in the following cases:

1. If any person prepares a statement of accounts that is not in conformity with the corresponding facts or refuses or avoids a mandatory accounting audit, he/she shall be subject to imposition of a fine in an amount not to exceed US\$10,000.
2. If any person refuses to submit the data required by the accounting monitoring authority or submits false information, without sufficient grounds, he/she shall be subject to imposition of a fine in an amount not to exceed US\$5,000.
3. If any enterprise fails to submit an annual statement of accounts on or before the designated deadline for submission, a fine shall be imposed upon the enterprise in an amount not to exceed US\$500.
4. If any person has recorded, calculated, or reported accounting that is not in conformity with the corresponding facts in return for any gifts, said gifts shall be confiscated and the person shall be subject to imposition of a fine not to exceed US\$15,000.
5. If any person has forced a third party to engage in any unlawful accounting practice, he/she shall be subject to imposition of a fine not to exceed US\$10,000.

### **Article 53 (Arrearage Charge)**

If any person fails to pay a fine on or before the due date, an arrearage charge will be imposed on him/her at the rate of 0.05% of the unpaid amount for each day past the due date. Such arrearage charge shall accrue starting seven (7) days after the date the General Bureau sent the notice of fine to the recipient thereof.

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# Corporate Finance Regulations for the Gaeseong Industrial Zone

Adopted as Decision No. 57 (June 28, 2005 (Juche 94))  
by the Standing Committee of the Supreme People's Assembly

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## **Article 1 (Purpose)**

The purpose of these Corporate Finance Regulations (hereinafter referred to as "Regulations") for the Gaeseong Industrial Zone (hereinafter referred to as "Industrial Zone") is to provide, in a complete and substantial manner, the procedure and order for enterprises to create and utilize funds, distribute profits, and pay debts, thereby contributing to the establishment of a norm for corporate finance management.

## **Article 2 (Subject of Application)**

Enterprises registered with the Management Committee, their branches and sales offices, as well as individual proprietors (hereinafter referred to as "enterprise(s)") shall manage their finances in accordance with these Regulations. Matters that are not specifically prescribed herein shall be handled by the Management Committee, in consultation with the General Bureau.

## **Article 3 (Methods of Creating Capital)**

Enterprises may create capital through contributions, credit, and donations, or by saving profits.

## **Article 4 (Registered Capital)**

"Registered capital" refers to capital that has been registered with

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the Management Committee and invested for the purpose of establishing an enterprise. No enterprise shall be allowed to reduce its registered capital.

**Article 5 (Scale of Registered Capital)**

Registered capital shall not be less than ten percent (10%) of the total amount of capital. Each enterprise shall increase its registered capital accordingly as its total amount of capital increases.

**Article 6 (Type of Investment)**

Enterprises may make investments in monetary assets, tangible assets, or intangible assets. Investments made in monetary assets shall be rendered in convertible foreign currency. The portion of investments made in intangible assets shall not exceed twenty percent (20%) of registered capital.

**Article 7 (Recognition of Investment)**

Investment shall be recognized as effective when:

1. Any monetary assets are deposited with a bank established in the Industrial Zone
2. In the case of real estate, the formalities of registration with the Management Committee have been completed
3. In the case of tangible assets other than real estate, the required formalities in the Industrial Zone have been completed and
4. In the case of intangible assets, any economic benefits have been created through their introduction or use.

**Article 8 (Value of Investments)**

The value of tangible and intangible assets shall be determined, with appropriate adjustments, on the basis of their respective



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prices in the international market. The value of tangible and intangible assets whose prices are lower than their respective prices in the international market shall be determined, with appropriate adjustments, on the basis of their respective local market prices.

#### **Article 9 (Useful Life of Tangible Assets)**

The useful life of tangible assets shall be as follows:

1. For buildings and structures, not less than twenty (20) years
2. For railway vehicles, ships and production facilities, including machinery, not less than ten (10) years
3. For means of transport other than railway vehicles and ships, not less than five (5) years and
4. For electronic equipment, and tools and furniture whose acquisition cost exceeds US\$300, not less than three (3) years.

#### **Article 10 (Depreciation of Tangible Assets)**

Tangible assets shall be depreciated using the straight-line, declining-balance, or units-of-production method. An enterprise may choose a method of depreciation in a reasonable manner, taking into consideration the form of such tangible assets, their method of use, and the effect of technological development. Once chosen, the method of depreciation shall not be changed until the end of the useful life of the tangible assets concerned.

#### **Article 11 (Appraisal of Residual Value of Tangible Assets)**

The residual value of tangible assets shall not be appraised at any less than five percent (5%) of their respective acquisition costs. If the residual value of any tangible asset is to be appraised at lower than five percent (5%) of its acquisition cost, the Industrial Zone

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Tax Office must give its approval.

**Article 12 (Useful Life of Intangible Assets)**

The useful life of intangible assets shall be equal to the period specified in their respective purchase contracts or in the enterprise's application for business establishment. If the useful life of an intangible asset is not specified in such contracts or application, the useful life shall be equal to its expected revenue-generating period. If it is also impossible to determine the expected revenue-generating period, the useful life shall be set at no less than five (5) years.

**Article 13 (Depreciation of Intangible Assets)**

Intangible assets shall be depreciated using the straight-line or units-of-production method. Intangible assets shall have no residual value.

**Article 14 (Prohibition of Depreciation)**

No enterprise shall apply depreciation to any fixed asset that is not used for business activities, is under construction, has yet to be completed, or whose value has not decreased even with the passing of time.

**Article 15 (Purchase of Goods and Sale of Products)**

An enterprise shall not purchase any goods at a price considerably higher than international market prices. Products manufactured in the Industrial Zone shall not be sold at a price considerably lower than international market prices.

**Article 16 (Prohibition on Calculation as Cost or Expenses)**

The following expenditures or losses shall not be calculated as

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costs or expenses:

1. Capital expenditures for the purchase of assets
2. Interest on equity capital;
3. Interest accruing at a rate higher than interest rates generally available
4. Royalties paid to the parent company
5. Overseas investments and administrative expenses expended on behalf of the relevant enterprise
6. Uncollectable credits and overseas business expenses exceeding the standard level
7. Losses resulting from confiscated assets, damages for breach of contract, arrearage charges, penalties, and compensations
8. Reserve funds set aside from net income and
9. Other expenditures unrelated to manufacturing or business activities.

#### **Article 17 (Research and Development Costs)**

Research and development costs refer to expenditures incurred for research and development of new products or technologies. Enterprises shall calculate such research and development costs by allocating them equally over a period of five (5) fiscal years.

#### **Article 18 (Limit on Providing Allowance for Bad Debts)**

Allowance for bad debts refers to expenses provided in advance against uncollectable trade receivables, loans, and other receivables. Ordinary enterprises may provide such allowance for bad debts in an amount equal to one percent (1%) of the balance of accounts receivables as of the end of the year, while finance companies may provide the same in an amount equal to two percent (2%) thereof.

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**Article 19 (Employees Entitled to Retirement Benefits and Calculation Thereof)**

Each enterprise shall pay retirement benefits to its employees and managers who retire after having served for one (1) year or longer. Retirement benefits shall be calculated by multiplying the number of years of service by the average monthly salary/wage of the employee or manager concerned for the last three (3) months prior to retirement.

**Article 20 (Limit on Providing Allowance for Severance and Retirement Benefits)**

Allowance for severance and retirement benefits refers to those expenses provided in advance for the purpose of paying retirement benefits to retirees. An enterprise may provide such allowance for severance and retirement benefits in an amount equal to five percent (5%) of its monthly payroll for the employees and managers who have served for one (1) year or longer.

**Article 21 (Employee Wages)**

An enterprise shall pay to each of its employees a wage not lower than the minimum wage. Wages paid to employees shall be calculated as a portion of relevant costs.

**Article 22 (Salaries of Managers)**

Each enterprise shall include in its bylaws standards for paying salaries of managers such that said salaries will not reduce the amount of tax to be paid, and shall pay said salaries pursuant to the bylaws. The salaries paid to managers shall be calculated as a portion of administrative expenses.

**Article 23 (Employee Bonuses)**

Each enterprise may pay bonuses to employees who have excelled

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in carrying out their assignments. The amount of bonuses paid to employees shall be calculated as a portion of total costs.

**Article 24 (Manager Bonuses)**

Bonuses paid to managers by an enterprise shall be calculated as a portion of administrative expenses. However, bonuses paid to managers that are above the standards for paying bonuses to employees shall not be included in administrative expenses.

**Article 25 (Expenditure of Overseas Business Expenses)**

An enterprise engaged in the manufacturing or commercial sector may expend for its overseas business expenses no more than one-half of a percent (0.5%) of its net sales, if its net sales are US\$2 million or less, or this plus three-tenths of a percent (0.3%) of the net sales in excess of US\$2 million, if its net sales exceed US\$2 million. An enterprise engaging in other service sectors, including construction, finance, traffic and transportation, may expend for its overseas business expenses no more than one percent (1%) of its net sales, if its net sales are US\$700,000 or less, or this plus half a percent (0.5%) of the net sales in excess of US\$700,000, if its net sales exceed US\$700,000.

**Article 26 (Reserve Funds)**

Each enterprise shall set aside as reserve funds five percent (5%) of its annual net income every year until the amount of such funds reaches ten percent (10%) of its registered capital. Such reserve funds may be applied to make up for deficits or increase registered capital.

**Article 27 (Voluntary Reserves)**

Each enterprise may set aside voluntary reserves, if there is any

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source of funds remaining after the appropriations to reserve funds and dividends are deducted from net income. Such voluntary reserves may be applied to funds for expanded reproduction and technological development, or other funds of a similar nature.

**Article 28 (Payment of Debts)**

Each enterprise shall pay its debts by the due date. Debts that cannot be paid to the creditor because the latter cannot be located shall be included in reserve funds.

**Article 29 (Valuation of Debts)**

Debts held by an enterprise shall be valued at the amount of debt that should be satisfied by the enterprise during the fiscal year concerned.

**Article 30 (Monitoring and Discipline)**

The General Bureau shall have the authority to monitor compliance with these Regulations. In the event that an enterprise violates these Regulations and thus brings about a materially adverse result for its financial management, the General Bureau may impose a penalty on said enterprise or suspend its business.

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# Accounting Audit Regulations for the Gaeseong Industrial Zone

Adopted as Decision No. 64 (September 13, 2005 (Juche 94))  
by the Standing Committee of the Supreme People's Assembly

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## Chapter 1 General Provisions

### Article 1 (Purpose)

The purpose of these Accounting Audit Regulations (hereinafter referred to as "Regulations") for the Gaeseong Industrial Zone (hereinafter referred to as the "Industrial Zone") is to provide, in a complete and substantial manner, the procedure and order for conducting an accounting audit in the Industrial Zone, thereby guaranteeing the objectivity and fairness of the accounting audit.

### Article 2 (Subject of Accounting Audit)

Accounting audits within the Industrial Zone shall be conducted by the accounting audit office established in the Industrial Zone. The accounting audit office shall also conduct appraisals of tangible assets.

### Article 3 (Regulations Applicable to Accounting Audit)

Accounting audits shall be conducted in compliance with these Regulations and other relevant regulations, such as the Accounting Regulations, Corporate Finance Regulations, and Tax Regulations for the Gaeseong Industrial Zone.

### Article 4 (Enterprises Subject to Accounting Audit)

Enterprises registered with the Management Committee, their

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branches and sales offices, and individual proprietors (hereinafter referred to as "enterprise(s)") whose total investment amounts to US\$1 million or more, or whose sales revenue of goods and services for the preceding year amounts to US\$3 million or more, shall be required to receive an accounting audit. An enterprise that does not fall within the aforementioned categories shall not be required to receive an accounting audit.

**Article 5 (Prohibition of Interference with Accounting Audit)**

The accounting audit office shall be an independent corporate body that is responsible for accounting audits in the Industrial Zone. No one shall interfere with the accounting audits conducted by the accounting audit office.

**Article 6 (Formulation of Working Rules for Accounting Audit)**

The Management Committee shall formulate the working rules applicable to accounting audits in accordance with these Regulations. In doing so, the Management Committee shall consult with the General Bureau on any important content.

## **Chapter 2 Establishment and Operation of Accounting Audit Office**

**Article 7 (Approval for Establishment of Accounting Audit Office)**

The Management Committee shall be responsible for granting approval for the establishment of the accounting audit office and reviewing applications for the establishment of the accounting audit office.

**Article 8 (Number of Accounting Audit Offices to Be Established)**

The Industrial Zone shall have two (2) accounting audit offices.



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Establishment of more than two (2) accounting audit offices shall require the approval of the General Bureau.

**Article 9 (Application for Establishment of Accounting Audit Office)**

An accounting audit organization that intends to open an accounting audit office in the Industrial Zone shall submit to the Management Committee an application for establishment thereof. Such an application shall be accompanied by the organization's basic bylaws as well as documents verifying the qualifications and experience of its members. In addition, such application shall state the office's name, address, basic activities, organization and number of employees, name and qualifications of managers and members, total amount of capital, duration of existence, and causes for dissolution.

**Article 10 (Review, Registration, and Date of Establishment of Accounting Audit Office)**

Within ten (10) days of the date of receipt of an application to establish an accounting audit office, the Management Committee shall review the application, determine whether to register or reject said accounting audit office, and then advise the General Bureau of the result thereof. The date when the accounting audit office is registered with the Management Committee shall be the date of establishment thereof.

**Article 11 (Re-registration of Accounting Audit Office)**

If the accounting audit office has changed any of its basic bylaws, organization, number of employees, or basic activities, it shall register itself anew with the Management Committee. In such a case, the Management Committee shall give the General Bureau notice thereof.

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#### **Article 12 (Activities of Accounting Audit Office)**

The accounting audit office shall engage in the following activities:

1. Accounting audit concerning an enterprise's establishment, merger or spin-off;
2. Accounting audit concerning statements of accounts;
3. Appraisal of tangible assets
4. Accounting audit concerning dissolution and bankruptcy of enterprises
5. Consultation related to accounting audit and
6. Other activities prescribed in accounting-related laws and regulations.

#### **Article 13 (Number and Qualifications of Accounting Audit Office Employees)**

The accounting audit office shall have three (3) or more accounting auditors and one (1) or more appraisers. Each of the accounting auditors and appraisers (hereinafter referred to as "accounting auditor(s)") shall have a certificate of appropriate qualifications and at least three years of experience in said area. A person with any criminal history may not act as an accounting auditor.

#### **Article 14 (Accounting Auditor's Authority)**

An accounting auditor shall have the right to inspect or copy any of the account books and documents of an enterprise, and also to check the account books against the goods in question. Each enterprise and individual shall provide the data requested by accounting auditors in a timely manner.

#### **Article 15 (Obligations of Accounting Audit Office)**

The accounting audit office shall conduct accounting audits in an

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objective and fair manner. Accounting auditors shall not disclose or release confidential information that they have acquired or become aware of in the course of an accounting audit.

**Article 16 (Making Entries in Account Books)**

The accounting audit office shall enter in relevant account books the results of its accounting audits. The method of making such entries in account books and managing the same shall be determined by the Management Committee.

**Article 17 (Preparation of Accounting Audit Report)**

An accounting auditor shall prepare an accounting audit report upon completion of a accounting audit. Such a report shall state the subject of the accounting audit, number of copies of the report, accounting auditor's comments related to the accounting audit, date of report, and accounting auditor's name; it shall also bear the seal of the accounting audit office.

**Article 18 (Restrictions on Accounting Activities)**

An accounting auditor shall not conduct an accounting audit on any enterprise in which he/she has interests. If an accounting auditor is asked to conduct an accounting audit by an enterprise in which he/she has interests, he/she shall hand over the duty to another accounting auditor.

**Article 19 (Measures against Illegal Acts)**

An accounting auditor shall state in the accounting audit report any illegal actions that he/she has become aware of in the course of the accounting audit and request the person responsible to correct the same. Should the person responsible fail to respond to such a request for correction, the accounting auditor shall notify

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the General Bureau thereof through the accounting audit office.

**Article 20 (Accounting Audit Fees)**

The accounting audit office shall be entitled to receive audit fees or service charges related to accounting audits or consultations. The standards for charging such audit fees and service charges shall be determined by the Management Committee.

**Article 21 (Reserve Fund for Damages and Indemnification)**

The accounting audit office shall set aside in a reserve fund for damages and indemnification ten percent (10%) of its annual net income after payment of corporate income tax in each fiscal year, until the amount of such reserve fund reaches ten percent (10%) of its total revenue in the immediately preceding fiscal year. The accounting office shall promptly indemnify a third party for any losses or damages due to willful acts or negligence that arise in the course of carrying out its activities.

**Article 22 (Prohibition of Appropriating Reserve Fund for Damages)**

The accounting audit office shall utilize the reserve fund for damages exclusively for indemnification. If the accounting audit office intends to utilize said reserve fund for another purpose, it shall obtain the approval of the General Bureau.

## **Chapter 3 Procedure and Method of Accounting Audit**

**Article 23 (Content of Accounting Audit)**

Each enterprise shall receive an accounting audit in a timely, complete, and accurate manner. The accounting audit shall include an investment audit, an audit regarding closure of accounts, and

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a liquidation audit.

**Article 24 (Obligation to Receive Investment Audit)**

An enterprise that is newly established, has been merged or spun off, or has reinvested ten percent (10%) or more of its total investment shall receive an investment audit. In the event that such an enterprise fails to receive an investment audit, it shall not be permitted to issue any investment certificates, distribute profits, or redeem investments.

**Article 25 (Subject of Investment Audit)**

An investment audit shall be conducted regarding the investment report prepared by the enterprise concerned. Such a report shall include a statement concerning the status of investments, investment of monetary assets, investment in kind, investment of real estate, and investment of intellectual property rights.

**Article 26 (Deadline for Investment Audit)**

An audit regarding investments for business establishment shall be conducted within three (3) months of the date of commencement of operation; a merger or spin-off audit shall be conducted within two (2) months of the date when registration is completed with respect to such a change in corporate structure; and a re-investment audit shall be conducted within one (1) month of the date of completion of such re-investment.

**Article 27 (Appraisal of Investments in Secondhand Equipment)**

The accounting audit office shall carry out the appraisal of investments in secondhand equipment in a complete and accurate manner. An enterprise having its secondhand equipment appraised by the accounting audit office shall submit to the accounting audit

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office documentation that accurately evidences the dates of manufacture and purchase, purchase price, useful life, period in which said equipment has been used, and other necessary information.

**Article 28 (Subject of Audit Regarding Closure of Accounts)**

An audit of closure of accounts shall be conducted on a monthly, quarterly, semi-annual, or annual statement of accounts. An audit on a monthly, quarterly, or semi-annual statement of accounts shall be conducted upon the request of the enterprise concerned. It is mandatory for each enterprise to receive an audit regarding its annual statement of accounts.

**Article 29 (Deadline for Submitting Annual Statement of Accounts)**

Each enterprise shall submit to the accounting audit office its annual statement of accounts within two (2) months of the end of that fiscal year. An enterprise whose accounting workload is exceptionally heavy may submit its annual statement of accounts to the accounting audit office within three (3) months of the end of that fiscal year, with prior approval of the accounting audit office.

**Article 30 (Content of Audit Regarding Closure of Accounts)**

An accounting auditor shall summarize the result of any audit of closure of accounts and prepare an accounting audit report and statement of tax reconciliation. Such an accounting audit report shall be accompanied by a statement of financial conditions and explanatory notes on the statement of accounts.

**Article 31 (Content of Explanatory Notes on Statement of Accounts)**

The notes on the statement of accounts shall include explanations of the following:

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1. Items that are not in conformity with accounting-related regulations for the Industrial Zone;
  2. Details of the principal accounting policies and estimations, as well as any modification thereof;
  3. Contingencies and details of economic transactions having occurred after closure of accounts;
  4. Details of the disposal of substantial assets;
  5. Details of any merger or spin-off of the enterprise concerned;
  6. Principal items contained in the statement of accounts; and
  7. Other information and data necessary for understanding and analysis of the statement of accounts.

**Article 32 (Content of Statement of Financial Conditions)**

The statement of financial conditions shall include the following:

1. Descriptions of significant production and managerial conditions
2. Status of final determination and distribution of net income
3. Status of increase or decrease in and circulation of funds
4. Factors affecting financial conditions, management performance and cash flow and
5. Other information and data necessary for understanding and analysis of the balance sheet.

**Article 33 (Audit Period for Annual Statement of Accounts)**

The accounting audit office shall complete an audit of each enterprise's annual statement of accounts within three (3) months of the end of each fiscal year. If the accounting audit office is unable to do so for unavoidable reasons, it shall notify the Industrial Zone Tax Office of the reasons thereof and the proposed extension of the audit period.

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**Article 34(Subject of Liquidation Audit)**

A liquidation audit shall be conducted on a liquidation report of an enterprise that is being dissolved or is in bankruptcy. The liquidation report shall include a statement of financial conditions after liquidation, schedule of accounts receivable and payable, distribution sheet of the source of funds, asset inventory table, delinquent tax table, etc.

**Article 35 (Obligation for Liquidation Audit)**

An enterprise that is being dissolved or is in bankruptcy shall receive an accounting audit regarding its statement of liquidation within one (1) month of the date when the liquidation procedure was completed. Such an enterprise must receive a liquidation audit in order for the liquidation committee established within the enterprise to complete its activities and for the enterprise's business registration to be cancelled.

**Article 36 (Submission of Audit Reports)**

The accounting audit office shall submit to the General Bureau through the Management Committee copies of its investment audit reports, audit reports regarding the closure of accounts, and liquidation audit reports. Copies of such reports shall be submitted within seven (7) days of the date when the relevant audit is completed.

## **Chapter 4 Monitoring and Regulation**

**Article 37 (Authority for Monitoring and Regulation of Accounting Audits)**

The monitoring and regulation of accounting audits within the Industrial Zone shall be the responsibility of the General Bureau.



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The General Bureau shall monitor and regulate the practice and substance of accounting audits in a consistent manner.

**Article 38 (Method of Monitoring and Regulating Accounting)**

Monitoring of an accounting audit shall be conducted by reviewing the accounting audit reports prepared by the accounting audit office. However, if an accounting audit has revealed any materially illegal activity, the General Bureau may advise the Management Committee thereof and conduct its own on-the-spot investigation.

**Article 39 (Punishment of Suspension from Assignment)**

If an accounting auditor has omitted any substantial data or made a serious mistake in the course of an accounting audit, he/she shall be suspended from acting as an accounting auditor for a period of no less than six (6) months and no more than one (1) year. If an accounting auditor has conducted an accounting audit that does not conform to the corresponding facts and has received gifts in return, he/she shall be suspended from acting as an accounting auditor for a period of one (1) year or longer. If an accounting auditor has been suspended from acting as such three (3) times or more, the accounting audit office to which the accounting auditor belongs shall be subject to suspension of operation.

**Article 40 (Fines)**

Fines shall be imposed in the following cases:

1. If an accounting audit office fails to keep a log showing its daily activities or keeps it inaccurately, it shall be subject to imposition of a fine in an amount not to exceed US\$3,000.

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2. If an accounting audit office fails to set aside any reserve fund for damages or applies the same for any purpose not prescribed herein, it shall be subject to imposition of a fine in an amount not to exceed US\$5,000.
  3. If an accounting audit office divulges to a third party confidential information of which it has become aware in the course of an accounting audit, or conducts an accounting audit of any enterprise in which it or any of its accounting auditors has an interest, it shall be subject to imposition of a fine in an amount not to exceed US\$5,000.
  4. If an accounting audit office fails to record in its accounting audit report any information required to be included therein, or records entries in a manner that does not conform to the corresponding facts, it shall be subject to imposition of a fine in an amount not to exceed US\$10,000.
  5. If an accounting audit office conducts an accounting audit that does not conform to the corresponding facts in return for any gifts, said gifts shall be confiscated, and the accounting audit office shall be subject to imposition of a fine not to exceed US\$15,000.

#### **Article 41 (Arrearage Charge)**

If an accounting audit office fails to pay a fine on time, an arrearage charge will be imposed upon it at the rate of 0.05 % of the unpaid amount for each day past the due date. Such arrearage charge shall accrue starting seven (7) days after the date the General Bureau issued the notice of fine to the recipient thereof.

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# Automobile Management Regulations for the Gaeseong Industrial Zone

Adopted as Decision No.76 (dated July 25, 2006)  
by the Standing Committee of the Supreme People's Assembly

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## Chapter 1 General Provisions

### Article 1 (Purpose)

The purpose of these Automobile Management Regulations (hereinafter referred to as "Regulations") for the Gaeseong Industrial Zone (hereinafter referred to as "Industrial Zone") is to strictly establish the procedures for registration and technical testing of automobiles and the standards for operating them within the Industrial Zone, thereby securing convenience in operating automobiles and contributing to the prevention of traffic accidents.

### Article 2 (Subject of Application)

These Regulations shall apply to a corporation or individual using automobiles within the Industrial Zone. These Regulations shall also apply to a corporation or individual of other countries that uses automobiles within the Industrial Zone. Automobiles being operated outside the Industrial Zone shall be subject to the road traffic laws and regulations of the DPRK.

### Article 3 (Classification of Automobiles)

The term "automobile" shall include a passenger car, bus, truck, motorcycle, special vehicle, etc. Detailed classifications of automobiles shall be subject to the detailed enforcement regulations of these Regulations.

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#### **Article 4 (Obligation to Register Automobiles)**

It is mandatory to register each automobile intended to operate normally within the Industrial Zone. No automobiles shall be subject to registration hereunder, if they enter and exit the Industrial Zone from the ROK or the DPRK for the purpose of meetings, tours or transportation of goods.

Registration of automobiles hereunder shall be the responsibility of the Management Committee.

#### **Article 5 (Issuance of Automobile License Plates)**

A license plate shall be issued to each automobile registered hereunder. In the case of an automobile being used under a temporary permit or in the process of registration, a temporary permit plate shall be issued.

#### **Article 6 (Technical Test Authority for Automobiles)**

Technical tests of automobiles within the Industrial Zone shall be conducted by the automobile technical test authority (hereinafter referred to as "Technical Test Authority"). The Technical Test Authority shall properly establish the forms and standards for such technical tests with respect to automobiles.

#### **Article 7 (Qualifications for Driving Automobiles)**

No persons shall be permitted to drive any automobile within the Industrial Zone without a driver's license issued by the DPRK's driver's license review authority. A person holding a driver's license issued in the ROK or any other country shall drive an automobile only after having presented the said driver's license to the automobile regulatory authority (hereinafter referred to as "Automobile Regulatory Authority") and obtained a local driver's license issued by the said authority. If a person enters and exits

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the Industrial Zone in the short term for the purpose of a meeting, tour or transportation of goods or otherwise an agreement is reached by the authorities concerned of the ROK and the DPRK, he/she may drive an automobile without any driver's license.

**Article 8 (Submission of a Copy of Automobile Registration Certificate/ Technical Test Certificate)**

The Management Committee and the Technical Test Authority shall forward to the Automobile Regulatory Authority a copy of the automobile registration certificate, license plate or technical test certificate, within three (3) days after issuance thereof.

**Article 9 (Payment of Fees)**

Upon registration or technical testing of an automobile or issuance of a driver's license, a fee shall be paid by the owner of the said automobile or the holder of the said driver's license, as prescribed. The fee for registration and technical testing of an automobile shall be prescribed by the Management Committee in consultation with the General Bureau, while the fee for issuance of a driver's license shall be prescribed by the Automobile Regulatory Authority in consultation with the General Bureau.

**Article 10 (Dealing with Matters not Provided in these Regulations)**

All matters that are not specifically provided herein in connection with managing automobiles shall be dealt with by the General Bureau, the Management Committee and the Automobile Regulatory Authority in consultations among themselves.

## **Chapter 2 Registration of Automobile**

**Article 11 (Division of Registration)**

Registration of automobiles shall be divided into three categories,

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i. e., initial registration, transfer registration and de-registration. The Management Committee shall precisely review applications for registration of automobiles before processing them for registration.

**Article 12 (Initial Registration of Automobile)**

Initial registration shall apply to each of the automobiles that are newly brought into the Industrial Zone. The owner intending to register his/her automobile for this purpose shall make an application to the Management Committee for initial registration within seven (7) days from the date the automobile has been brought into the Industrial Zone.

**Article 13 (Transfer Registration of Automobile)**

Transfer registration shall apply where the owner of an automobile previously registered has been changed.

The owner of an automobile shall make an application to the Management Committee for a transfer registration of the automobile within fifteen (15) days from the date of purchase thereof, if purchased in the Industrial Zone; twenty (20) days from the date of gift, if acquired by gift; three (3) months from the date of inheritance, if acquired by inheritance; or fifteen (15) days from the date when the cause of acquisition has occurred, if acquired due to any other cause.

**Article 14 (Review of Application for Registration of Automobile and Issuance of Registration Certificates)**

Upon receipt of an application for registration, whether initial or transfer, with respect to an automobile, the Management Committee shall review such application and register such automobile within three (3) days from the date of application. The Management

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Committee shall issue a license plate and a registration to each automobile duly registered.

**Article 15 (Sealing of License Plate)**

The Management Committee shall affix a license plate onto each automobile duly registered and then put a seal on it. The license plate shall not be unsealed in any case without approval of the Management Committee.

**Article 16 (Temporary Permit Plate)**

In the case of an automobile in the process of registration or being used under a temporary permit, the Management Committee shall affix a temporary permit plate onto it. Such a temporary permit plate shall remain valid for fifteen (15) days.

**Article 17 (De-registration of Automobile)**

An automobile shall be de-registered if any of the following events occurs: 1) it has been scrapped; 2) it has been returned to the manufacturer or seller, after purchase; 3) it has become unavailable for further use, due to collision, fire or other similar cause; 4) it is to be brought out of the Industrial Zone forever; or 5) there has occurred any other cause of de-registration.

**Article 18 (Application for De-registration of Automobile)**

If any of the events under Article 17 hereof has occurred, the owner of the automobile concerned shall make an application to the Management Committee for de-registration of that automobile within one (1) month from the date of occurrence of the aforesaid event, in which case the application shall be accompanied by the registration certificate and the license plate of that automobile.

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**Article 19 (Registration of a De-registered Automobile)**

If an automobile is to be registered anew once it has been de-registered, it shall be subject to Article 12 hereof.

**Chapter 3 Technical Tests of Automobile****Article 20 (Division of Technical Test)**

Technical tests with respect to an automobile shall be divided into three (3) categories, i. e., initial technical tests, regular technical tests, and technical tests of structural changes. The Automobile Testing Authority shall ensure that the validity of technical tests are prescribed in a reasonable manner and that each of such technical tests are made on time.

**Article 21 (Initial Test of Automobile)**

An initial test shall be made with respect to an automobile that has been newly registered with the Management Committee under Article 12 hereof. The validity of such initial test shall be determined by the Management Committee and the Automobile Test Authority in consultation with each other.

**Article 22 (Regular Test of Automobile)**

Regular tests shall be made with respect to an automobile which has been repaired and/or maintained after the validity of its prior technical test has expired. The owner of an automobile shall cause his/her automobile to have a technical test whenever it is severely damaged and repaired to its original state even before the validity of its prior technical test has expired.

**Article 23 (Technical Test of Structural Changes)**

A technical test of structural changes shall be made with respect



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to an automobile whose structure has been changed. If any change is made in the type, model, body number, capacity or appearance of an automobile, its owner shall cause that automobile to have a technical test with respect to such structural change.

**Article 24 (Application for Technical Test and Conduct of Test)**

The owner of an automobile shall make an application to the Technical Test Authority for a technical test, if he/she intends to cause his/automobile to have such test. Upon receipt of such application, the Technical Test Authority shall set the date of technical test within seven (7) days after receipt thereof and conduct the said test accordingly.

**Article 25 (Issuance of Technical Test Certificate)**

The Technical Test Authority shall conduct every technical test of automobiles in a precise and accurate manner, whenever an application for such test is made. If an automobile has passed such technical test, a technical test certificate shall be issued.

**Article 26 (Installation of any Fixture, etc.)**

The owner of an automobile shall obtain the prior approval of the Automobile Regulatory Authority, if he/she intends to install any fixture or display any sign, as he/she deems necessary, on his/her automobile.

## **Chapter 4 Operation of Automobiles**

**Article 27 (Traffic Control)**

Traffic control within the Industrial Zone shall be the responsibility of traffic security officers. Operation of automobiles shall comply with the traffic control signals made by traffic security officers.

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**Article 28 (Automobile Lanes)**

Every automobile shall be driven on the driveway only. It shall also be driven along the designated lanes on a road with marked lanes and, while running on a road without lanes, shall yield to other automobiles, depending on the speed, type, model and purpose of driving those automobiles involved.

**Article 29 (Driving Automobile at low Speed)**

Every automobile shall be driven at a low speed, while passing by or through any intersections, marked crosswalks, bus-stops, areas with a restricted visual range, traffic- crowded areas, or where driving an automobile may be affected by snow, rain, fog, dust, etc.

**Article 30 (Overtaking)**

If an automobile intends to overtake another automobile on a road without marked lanes, it shall give a proper signal as prescribed. Upon receipt of such a signal, the receiving automobile shall yield to the automobile intending to overtake it. No overtaking shall be allowed on a narrow road; a section of road with a "no passing" sign; a winding road; an intersection, crosswalk, bus-stop, bridge, tunnel, or railroad crossing.

**Article 31 (Automobiles' Crossing)**

When two automobiles come across each other on a sloping road, the automobile having seen the other first or driving downward shall yield. When two automobiles come across each other at a point where a narrower road is connected to a broader one, the automobile attempting to enter the narrower road from the broader shall yield.

**Article 32 (Places for Stopping/Parking Automobile)**

If a driver intends to stop his/her automobile, he/she shall park

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the automobile on the roadside or in a parking place after assuring himself/herself that is safe to do so there. No automobile shall be parked on a bridge or intersection, at a railroad crossing, at an area with a restricted visual range, at a curved section of road, at a place with a "no parking" sign, and at a place without a "parking" sign.

**Article 33 (No Exceeding Carrying Capacity and Dimensions;  
Packaging)**

No automobile shall be allowed to carry any load beyond the prescribed carrying capacity and dimensions. If any object may be blown away by the wind, damage roads or affect the passage of pedestrians and/or other automobiles, it shall be properly packaged and loaded in an automobile.

**Article 34 (Automobiles Not Permitted to Carry Passengers)**

No dump trucks, trailer trucks, container trucks, vans, tank lorries, articulated trucks and other automobiles carrying steel materials, timbers, explosives, radioactive materials, toxic materials or inflammables shall carry any passengers in their loading bays.

**Article 35 (Passage of Passengers)**

An automobile shall pass through any crosswalk only after passengers have crossed the road, in which case passengers shall cross the road quickly.

**Article 36 (Passage of Automobiles at an Intersection)**

At a controlled intersection with automatic traffic signals installed where a traffic security officer is manned, every automobile shall slow down and give the signal indicating the direction in which it intends to proceed, thereupon entering the applicable lane to

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make a right or left turn and proceeding in compliance with the traffic control signal.

At an uncontrolled intersection without any automatic traffic signals installed where no traffic security officer is manned, every automobile shall give the signal indicating the direction in which it intends to proceed and then proceed, paying attention to traffic security,

**Article 37 (Passage of Automobiles over a Bridge)**

An automobile carrying a load over a bridge shall comply with the sign indicating the requirements for safety of the bridge. On a bridge where two automobiles cannot pass each other, the automobile having entered first shall have the priority to proceed.

**Article 38 (Passage of Automobile at a Railroad Crossing)**

An automobile intending to cross a railroad crossing shall stop ten (10) meters before the crossing and shall pass after having confirmed whether any train will pass through and after having received a safety signal, in which case the automobile shall not change its speed.

**Article 39 (Driving Automobile at Night)**

An automobile being driven at night shall keep its headlights on to secure a visual range and, when coming across other automobiles, shall not affect the passage of other automobiles by turning on its high beams and headlights in turn. No automobiles shall turn on any high beams on a road with operating street lights lit.

**Article 40 (Passage of Special Automobiles)**

Special automobiles, such as ambulances, fire engines and automobiles for maintaining road facilities, shall use applicable

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alarm systems, indicative lamps and equipment, and shall be driven at a speed higher or lower than indicated on the lane, to the extent that traffic safety is guaranteed.

**Article 41 (Driver's Duties upon Occurrence of Traffic Accidents)**

A driver having caused a traffic accident shall immediately advise the Automobile Regulatory Authority and his/her insurance company of such accident and shall preserve the scene of the accident, while also taking necessary actions in order not to affect the passage of pedestrians and other passing automobiles.

**Article 42 (Documents to be Carried by Automobile)**

Every automobile being driven on the road shall carry its registration certificate, technical test certificate and a third party liability insurance policy. In addition, the driver shall carry his/her driver's license with him/her.

**Article 43 (Causes Prohibiting Operation of Automobiles)**

No person shall be allowed to drive any automobile which is not insured or has not undergone or passed any technical test; the validity of whose prior technical test has expired; which is not insured against a third-party liability nor properly equipped with a steering equipment, brakes, lighting system and/or signal system; or that has a license plate or temporary permit plate which cannot be easily identified.

## **Chapter 5 Disciplinary Measures and Complaints**

**Article 44 (Fines and Imposition)**

Violation of these Regulations shall be liable to a fine. The standards for imposing fines with respect to illegal activities

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hereunder shall be prescribed in the detailed enforcement regulations of these regulations.

**Article 45 (Detention of Automobile)**

An automobile having caused a traffic accident may be detained up to seven (7) days for the purpose of investigations related to such accident.

**Article 46 (Banishment)**

In the case of a material violation of these Regulations, the person responsible for or the automobile involved in it may be banished from the Industrial Zone.

**Article 47 (Complaints and Deadline for Treatment)**

Should an enterprise or individual object to any affair related to registration, technical test, passage or operation of any automobile hereunder, such enterprise or individual may register a complaint with the Management Committee, the Technical Test Authority, the Automobile Regulatory Authority or the General Bureau, as the case may be. Upon receipt of such complaint, the authority concerned shall deal with the same complaint within fifteen (15) days from receipt thereof.

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# Gaeseong Industrial Zone Environmental Protection Regulation

Adopted as Decision No. 82 (dated November 21, 2006)  
by The Standing Committee of the Supreme People's Assembly

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## Chapter I General Provisions

### Article 1 (Purpose)

The purpose of this Environmental Protection Regulation of the Gaeseong Industrial Zone is to establish in a complete and substantial manner the order for conserving and developing natural environment and preventing environmental pollution, thereby contributing to the protection of natural environment and provision of clean environment for the people.

### Article 2 (Subject of Application)

This regulation shall apply to all Enterprises and Individuals (including foreign nationals) within the Gaeseong Industrial Zone. The term "Enterprises" includes enterprises operating within the Gaeseong Industrial Zone and their branch offices, sales offices, offices and individual proprietors.

### Article 3 (Administrative Authority for Environmental Protection)

The Gaeseong Industrial Zone Management Committee shall be responsible for the environmental protection of the Gaeseong Industrial Zone. The Gaeseong Industrial Zone Management Committee shall carry out its environmental protection activities in

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a well-planned manner.

**Article 4 (Priority of Environmental Protection)**

Environmental protection activities shall be an obligation for all enterprises and individuals. Enterprises and individuals intending to engage in the business of development, construction and production within the Gaeseong Industrial Zone shall give priority to environmental protection.

**Article 5 (Standards for Environmental Protection)**

The standards for environmental protection of the Gaeseong Industrial Zone shall be established by the General Bureau of Gaeseong Industrial Zone. Such standards for environmental protection shall include but not be limited to the standards for air pollution, water pollution, soil pollution, radioactive and odor contamination, as well as standards for noise and vibration pollution.

## **Chapter II Preservation and Development of Natural Environment**

**Article 6 (Basic Requirements for Preservation and Development of  
Natural Environment)**

All enterprises and individuals shall preserve the natural environment of the Gaeseong Industrial Zone and shall develop it so that it is beneficial to the improvement of people's health as well as to the promotion of cultural and emotional life.

**Article 7 (Designation of Natural Environmental Protection Areas)**

Natural environment protection areas shall be designated in order to protect the natural environment of the Gaeseong Industrial Zone. The General Bureau of Gaeseong Industrial Zone shall be responsible



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for the management and execution of such affairs.

**Article 8 (Protection of Forest Resources)**

The Gaeseong Industrial Zone Management Committee shall establish a forestry disease and pest prevention system as well as a monitoring system for forest fire. Cutting of trees or clearing of forestland shall not be permitted within the Gaeseong Industrial Zone without the approval from the General Bureau of Gaeseong Industrial Zone.

**Article 9 (Protection of Animal and Plant Resources)**

Enterprises and individuals shall not destroy habitat of animals and plants, nor catch or extract rare animals and plants and must construct conditions for habitation.

**Article 10 (Preservation of Scenic Spots, Natural Monuments and Historic Remains)**

Enterprises and Individuals shall preserve scenic spots, natural monuments and historic remains in their original conditions. Any activities damaging the natural scenery around the scenic spots, natural monuments and historic remains shall not be permitted.

**Article 11 (No Construction around Scenic Spots, Natural Monuments and Historic Remains)**

Construction of production facilities around the scenic spots, natural monuments or historic remains shall not be permitted. The construction of public service facilities shall require approval by the General Bureau of Gaeseong Industrial Zone.

**Article 12 (Development of Forests and Groves)**

Enterprises and individuals shall contribute to enhancing the scenic

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beauty around the Gaeseong Industrial Zone by planting many trees and grasses and flowers that have ornamental value and is conducive the protection of the environment around the factories, roads, railroad tracks and open spaces.

### **Chapter III Prevention of Environmental Pollution**

#### **Article 13 (Basic Requirements for Prevention of Environmental Pollution)**

The Gaeseong Industrial Zone Management Committee and concessionaires shall prepare an environmental impact statement or environmental protection plan in relation to the development, construction and operation of the Gaeseong Industrial Zone and shall implement the same after having obtained approval from the General Bureau of Gaeseong Industrial Zone.

The aforesaid environmental impact statement or environmental protection plan shall include but not be limited to the proposed plan for development, construction and/or operation of the subject, characteristics thereof, data related to estimation and evaluation of the impact on the environment and countermeasures against environmental pollution.

#### **Article 14 (Submission of Environmental Protection Plan)**

Enterprises shall prepare an environmental protection plan for the current year in order to implement the environmental impact statement or environmental protection plan and shall submit the same to the Gaeseong Industrial Zone Management Committee.

#### **Article 15 (Installation of Pollutant-emitting and Pollution-prevention Facilities)**

Enterprises and individuals shall install pollutant-emitting facilities

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and pollution-prevention facilities in conformity to the applicable standards of the environmental protection. Such pollutant-emitting facilities and pollution-prevention facilities shall commence operation after undergoing inspection by the Gaeoseong Industrial Zone Management Committee.

**Article 16 (Restrictions on Installation of Pollutant-emitting Facilities)**

The Gaeoseong Industrial Zone Management Committee shall restrict installation of any facilities emitting environmental pollutants, if such facilities are likely to have adverse effect on the environment of natural environment protection areas and residential areas.

**Article 17 (Approval of Direct Emission of Gas and Dust)**

Enterprises intending to emit gas and dust directly in the air without installing any emission outlet shall obtain approval from the General Bureau of Gaeoseong Industrial Zone through the Gaeoseong Industrial Zone Management Committee.

**Article 18 (Prohibition on the Operation of Vehicles)**

No enterprise or individual shall operate any vehicle emitting exhaust fumes beyond the applicable standards.

**Article 19 (Prevention of Foul Odor)**

Enterprises and individuals shall ensure that no foul odor shall be emitted during the course of development, construction or production. Burning of foul odor-producing materials, such as rubber, vinyl and garbage is prohibited.

**Article 20 (Prevention of Noise and Vibration)**

Enterprises and individuals shall ensure that no noise or vibration

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produced in the course of development, construction or production will adversely affect other enterprises or residents. Use of any equipment exceeding the applicable standards for noise and/or vibration is prohibited.

**Article 21 (Purification of Polluted or Waste Water)**

Enterprises and individuals intending to discharge polluted or waste water shall purify such water within the water effluent standards.

**Article 22 (Prohibited activities in the Water Area)**

No enterprise or individual shall engage in acts such as cleaning of vehicles or discarding of waste water in the rivers, lakes or reservoirs.

**Article 23 (Prevention of Land Pollution and Washout)**

Enterprises and individuals shall take both physiochemical and biological measures to prevent land pollution. Leakage of earth and sand resulting from cutting or filling land shall be prevented and measures must be taken to prevent soil and sand from flowing into rivers and waterways as a result of heavy rain.

**Article 24 (Prevention of Underground Water Pollution)**

Enterprises and individuals shall prevent pollution of underground water by pollutants by taking appropriate steps regarding sources of underground water pollutants and management of water storage structures.

**Article 25 (Prevention of Ground Subsidence)**

Enterprises and individuals shall ensure that no ground subsidence will occur as a result of their use of underground water, construction of any underground structure, cutting, filling or restoration of land.

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No ground water may be drawn where the ground is likely to subside.

**Article 26 (Management of Toxic Substance)**

Enterprises intending to handle any toxic substance shall submit to the General Bureau of Gaeoseong Industrial Zone a document stating the type, quantity and intended use of such toxic substance and shall obtain approval from the General Bureau of Gaeoseong Industrial Zone.

Toxic substances for which approval has been granted shall be declared to the Gaeoseong Industrial Zone Management Committee and the General Bureau of Gaeoseong Industrial Zone must be notified in the event of changes to the type, quality, and intended use.

**Article 27 (Reporting on the Volume of Discharged Scraps and Waste)**

Enterprises shall accurately measure and record the volume of scraps and waste discharged by them and shall submit a report to the Gaeoseong Industrial Zone Management Committee thereof once a month.

**Article 28 (Storage of Scraps and Waste)**

Enterprises intending to store scraps and waste shall furnish itself with adequate facilities and equipment for storage thereof and shall also install fences and signs around the boundary. Names of such scraps and waste shall be indicated on the surface of their containers.

**Article 29 (Transportation of Scraps and Waste)**

Enterprises intending to transport scraps and waste shall submit a report to the Gaeoseong Industrial Zone Management Committee and shall take the necessary measures to ensure that such scraps and

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waste will not be combined, leaked or blown away by the wind while being transported.

**Article 30 (Disposal of Scraps and Waste)**

Enterprises intending to dispose of scraps and waste shall submit to the Gaeseong Industrial Zone Management Committee an application for disposal of such scraps and waste. Notwithstanding the foregoing, an application for disposal of the scraps and waste to be transported out of the Gaeseong Industrial Zone shall be submitted to the General Bureau of Gaeseong Industrial Zone through the Gaeseong Industrial Zone Management Committee. The aforesaid application for disposal shall state the relevant information on such scraps and waste, including the type, data of component analysis, volume, environmental impact statement and the materials guaranteeing environmental protection.

**Article 31 (Warning against Environmental Pollution)**

The Gaeseong Industrial Zone Management Committee shall issue an environmental pollution warning if any polluted or wastewater that has been discharged after purification is likely to affect human beings' health or daily life due to unusual hydrometeorologic conditions and circumstances.

**Article 32 (Survey, Measurement and Analysis of Environmental Condition)**

The General Bureau of Gaeseong Industrial Zone and the Gaeseong Industrial Zone Management Committee shall survey, measure and analyze the environmental condition of the Gaeseong Industrial Zone on a regular basis. The methods for such survey, measurement and analysis shall be determined by the General Bureau of Gaeseong Industrial Zone.

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**Article 33 (Recording Data)**

Enterprises shall record in a ledger the details of operation of pollution-prevention facilities, storage and disposal of scraps and waste and shall keep such record for the prescribed period.

**Article 34 (Reporting the Result of Environmental Protection)**

The Gaeseong Industrial Zone Management Committee shall make a report to the General Bureau of Gaeseong Industrial Zone of the implementation of the environmental protection plan and the status of environmental protection activities, once a quarter.

## **Chapter IV Regulation and Control**

**Article 35 (Authority for Regulation and Control)**

The Gaeseong Industrial Zone Management Committee shall have the authority for regulation and control over the environmental protection of the Gaeseong Industrial Zone, under the guidance of the General Bureau of Gaeseong Industrial Zone.

The Gaeseong Industrial Zone Management Committee shall strictly regulate and control the status of compliance with the applicable standards for environmental protection.

**Article 36 (Establishment of Environmental Monitoring System)**

The Gaeseong Industrial Zone Management Committee shall establish an environmental monitoring system in due course and inspect and comprehend the environmental condition thoroughly and shall also inform Enterprises of the environmental information needed by them on a regular basis.

**Article 37 (Management of Facilities for Environmental Protection)**

The Gaeseong Industrial Zone Management Committee shall operate

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the facilities for environmental protection on a regular basis and shall ensure that the maintenance cycle will be observed.

**Article 38 (Sanctions)**

In the event of environmental pollution or damage to any pollution-prevention facilities, the responsible party shall be required to restore such to its original state or pay compensation for such damages, or shall be liable for a fine or be suspended from continuation of its business.

**Article 39 (Settlement of Dispute)**

Disputes or differences arising out of or in relation to environmental protection activities hereunder shall be settled through consultation. If such dispute or difference cannot be settled through consultation, it shall be settled through the procedure for commercial arbitration between the South and the North.



## 제2장 간지



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# Communications Agreement for the Gaeseong Industrial Zone

This Communications Agreement (hereinafter referred to as "Agreement") for the Gaeseong Industrial Zone (hereinafter referred to as "Industrial Zone") is made and entered into by and between the ROK and the DPRK (hereinafter referred to as "Both Parties") on the terms and conditions set forth hereafter, in order to guarantee the smooth exchange of mail and telecommunications within the Industrial Zone and also between the territory of the ROK and the Industrial Zone.

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## Article 1 Definitions

- 1) "Mail" refers to general mail and postal parcels:
  - a) "General mail" refers to any object or item delivered through the postal service, including letters, postcards, documents, newspapers, magazines and books.
  - b) "Postal parcel" refers to any object or item packed within a designated size and delivered through the postal service, with the exception of prohibited articles such as letters and money.
- 2) "Telecommunications" refers to communications through a landline or cordless telephone, facsimile, the Internet, data, images, video or satellite that transmits and/or receives sound, characters, signs, and images via electromagnetic means.
- 3) "Personnel" refers to ROK citizens, Koreans from overseas, foreigners, and their family members who reside in or enter and depart from the Industrial Zone for the purpose of engaging in the development, operation, and maintenance of the Industrial Zone; seeking to establish businesses and/or

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carrying out business activities; performing an inspection; or touring the Industrial Zone.

## **Article 2 Basic Principles**

- 1) Exchanges of mail and telecommunications between the territory of the ROK and the Industrial Zone are exchanges between the Korean people, not between countries.
- 2) Both Parties shall guarantee the free exchange of mail and telecommunications within the Industrial Zone, as well as between the territory of the ROK and the Industrial Zone.
- 3) Mail and telecommunications shall be directly exchanged and connected between the territory of the ROK and the Industrial Zone, not through any third country.
- 4) Both Parties shall ensure confidentiality with regard to the content of mail and telecommunications exchanged within the Industrial Zone and between the territory of the ROK and the Industrial Zone.
- 5) Both Parties shall desist from using, for any political or military purposes, the mail and/or telecommunications exchanged within the Industrial Zone and between the territory of the ROK and the Industrial Zone, as well as facilities purchased and installed for mail and/or telecommunications.

## **Article 3 Exchange of Mail**

- 1) Both Parties shall ensure that mail will be delivered in a safe and speedy manner.

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- 2) Both Parties shall determine, by mutual agreement, the procedure for establishing an administrative organization to provide postal service and for exchanging mail.

#### **Article 4 Establishment and Operation of a Telecommunications Network**

- 1) Both Parties shall have designated developers establish and operate the required facilities so as to facilitate exchanges of telecommunications within the Industrial Zone.
- 2) The communication developers shall connect a telecommunications network directly between the ROK and DPRK through a site to be agreed upon between Both Parties.
- 3) Both Parties shall set up an emergency communications security system in order to address any obstruction to the telecommunications network and shall cooperate with each other to rapidly restore said network in the event of an obstruction.

#### **Article 5 Respect for Other Party's Legal System and International Practices**

Both Parties shall respect each other's legal system as well as international agreements and practices as they relate to mail and telecommunications.

#### **Article 6 Provision of Information**

Each party shall notify the other of the enactment, revision and supplementation of its laws and regulations regarding communications,

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and shall promptly respond to the other party's request for provision of relevant data and information, unless particular circumstances require otherwise.

### **Article 7 Interpretation and Application**

It is agreed by Both Parties that problems arising in relation to the interpretation and application of this Agreement shall be dealt with and settled by the Inter-Korean Economic Promotion Committee, or the body that is authorized by said committee.

### **Article 8 Revision and Supplementation**

If necessary, Both Parties may revise or supplement any provision of this Agreement, subject to mutual agreement. A revised or supplemented provision shall come into effect upon completion of the procedure outlined in Article 9.1 hereof.

### **Article 9 Effectuation and Repeal**

- 1) This Agreement shall take effect on the date when Both Parties, having respectively followed the formalities for effectuation hereof, sign and deliver this Agreement.
- 2) This Agreement shall have the same force and effect as each party's relevant laws and regulations.
- 3) This Agreement shall remain valid unless either party provides the other party with written notice of its intent to repeal the same. Such a notice of repeal shall come into effect six (6) months after the date of notice.

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This Agreement was executed by Both Parties in duplicate on December 8, 2002, and the two originals shall have the same force and effect.

Inter-Korean Economic Cooperation  
Promotion Committee

Chairman/ROK

**Jinshik Yoon**

Deputy Minister of the Ministry of  
Economy and Finance, ROK

Inter-Korean Economic Cooperation  
Promotion Committee

Chairman/DPRK

**Changryeon Park**

Deputy Chairman of the National  
Planning Commission, DPRK

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# Customs Clearance Agreement for the Gaeseong Industrial Zone

This Customs Clearance Agreement (hereinafter referred to as "Agreement") for the Gaeseong Industrial Zone (hereinafter referred to as "Industrial Zone") is made and entered into by and between the ROK and the DPRK (hereinafter referred to as "Both Parties") on the terms and conditions set forth hereafter, in order to facilitate the customs clearance of goods, mail, vehicles, and personal effects of personnel entering and departing from the Industrial Zone.

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## Article 1 Definitions

- 1) "Goods" refers to those articles necessary for: construction, operation, and maintenance of the Industrial Zone; production and management activities of the invested enterprises (hereinafter referred to as "enterprises") in the Industrial Zone; and the daily life of the personnel who reside in the Industrial Zone.
- 2) "Transporting into" refers to the act of transporting goods into the Industrial Zone along the route designated by mutual agreement between Both Parties, and "transporting out of" refers to the act of transporting goods out of the Industrial Zone along this same route.
- 3) "Entering/departing vehicles (or means of transport)" refers to various vehicles entering and departing from the Industrial Zone for the purpose of transporting personnel and goods into and out of the Industrial Zone or for construction, operation, and maintenance of the Industrial Zone.



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## **Article 2 Designation of Route for Entry and Departure**

Both Parties shall designate, in consultation with one another, the route to roads and railways connecting the trains and vehicles operation control office and the Industrial Zone, at least prior to the commencement of the project to develop the Industrial Zone.

## **Article 3 Establishment of Industrial Zone Customs**

The DPRK shall establish and operate a customs house within the Industrial Zone (hereinafter referred to as "Industrial Zone Customs").

## **Article 4 Registration of Entering/Departing Vehicles and Certification of Entry and Departure**

- 1) Both Parties shall register in advance the vehicles (excluding railway vehicles) going between the ROK and DPRK with the customs agency designated by their respective customs authorities, and shall issue to each registered vehicle an entering/departing vehicle pass stating the following information:
  - a) The vehicle's license plate number, type, model, year of manufacture, engine, etc.;
  - b) Carrying capacity or passenger capacity;
  - c) Purpose of operation, route, and period of validity; and
  - d) Other information Both Parties deem necessary by mutual agreement.
  
- 2) Each party ("notifying party") shall provide the other party with a list of the entering/departing vehicles registered in the notifying party's register of vehicles. In this case, a vehicle

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registered in such a register of vehicles shall be considered a vehicle duly registered with the customs agencies of Both Parties.

- 3) Each entering/departing vehicle shall present a vehicle pass to the operations control office for trains and vehicles and receive certification of its entry and departure.

### **Article 5 Exemption of Vehicles from Taxes, Etc.**

Both Parties shall exempt entering/departing vehicles from all taxes and shall not go through any separate customs procedures with respect to entering/departing vehicles.

### **Article 6 Customs Clearance Procedures for Goods Transported into and out of Industrial Zone**

- 1) Customs clearance procedures for goods and mail transported into and out of the Industrial Zone shall be dealt with by Industrial Zone Customs.
- 2) Customs inspections of entering/departing vehicles and personal effects of personnel entering and departing from the Industrial Zone shall be conducted by the operations control office for trains and vehicles.
- 3) Industrial Zone Customs shall conduct inspections of goods transported into and out of the Industrial Zone at their point of arrival or departure, at the request of the enterprise(s) concerned.

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- 4) The customs clearance procedures for goods transported into and out of the Industrial Zone shall be carried out in a simple and speedy manner, unless particular circumstances require otherwise.
  - 5) Industrial Zone Customs shall not impose any taxes or charges on goods transported into and out of the Industrial Zone.

### **Article 7 Procedures for Transport into and out of Industrial Zone**

- 1) With respect to goods being transported into the Industrial Zone, the ROK operations control office for trains and vehicles shall confirm that the goods listed on the previously submitted customs declaration form are those to be transported into the Industrial Zone, and then deliver the declaration form to the carrier concerned.
- 2) With respect to goods being transported out of the Industrial Zone, the Industrial Zone Customs shall confirm that the goods listed on the previously submitted customs declaration form are those to be transported out of the Industrial Zone, and then deliver the declaration form to the carrier concerned.
- 3) The customs declaration form shall specify the consignor, consignee, name, quantity, price, transport period, place of shipment, destination, and carrier of the goods to be transported.

### **Article 8 Transport of Goods into and out of Industrial Zone**

- 1) Goods transported into and out of the Industrial Zone shall

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be transported in containers, unless particular circumstances require otherwise, and each container shall be sealed, prior to departure, by the customs agency that has confirmed that the goods contained therein are those to be transported into and out of the Industrial Zone.

- 2) If a container has been sealed by the customs agency of either party, the customs agency concerned shall enter the seal number on the customs declaration form certified by that customs agency.
- 3) The customs agency of each party shall determine if anything is out of order with the customs declaration form and the seal(s) placed on the corresponding containers and then permit the goods being transported to pass through customs, unless the operations control office for trains and vehicles requires otherwise.
- 4) If anything is out of order with any of the seals mentioned above, or there has occurred any incident, including unauthorized opening of any container(s), the customs agency of each party shall immediately advise the other party thereof.

## **Article 9 Provision of Information**

Each party shall notify the other party of the enactment, revision, and supplementation of its laws and regulations regarding customs clearance, and shall promptly respond to the other party's request for provision of relevant data and information, unless particular circumstances require otherwise.

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## **Article 10 Cooperation and Interaction between Customs Authorities**

The customs authorities of Both Parties shall cooperate and interact with each other to facilitate the customs clearance of goods transported into and out of the Industrial Zone.

## **Article 11 Interpretation and Application**

It is agreed upon by Both Parties that problems arising in relation to the interpretation and application of this Agreement shall be dealt with and settled by the Inter-Korean Economic Promotion Committee or a body authorized by said Committee.

## **Article 12 Revision and Supplementation**

If necessary, Both Parties may revise or supplement any provision of this Agreement by mutual agreement. A revised or supplemented provision shall come into effect upon completion of the procedure outlined in Article 13.1 hereof.

## **Article 13 Effectuation and Repeal**

- 1) This Agreement shall take effect on the date when Both Parties, having respectively followed the formalities for effectuation hereof, sign and deliver this Agreement.
- 2) This Agreement shall have the same force and effect as each party's relevant laws and regulations.
- 3) This Agreement shall remain valid unless either party provides

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the other party with a written notice of its intent to repeal the same. Such a notice of repeal shall come into effect six (6) months after the date of notice.

This Agreement was executed by Both Parties in duplicate on December 8, 2002, and the two originals shall have the same force and effect.

Inter-Korean Economic Cooperation Promotion Committee Chairman/ROK <b>Jinshik Yoon</b> Deputy Minister of the Ministry of Economy and Finance, ROK	Inter-Korean Economic Cooperation Promotion Committee Chairman/DPRK <b>Changryeon Park</b> Deputy Chairman of the National Planning Commission, DPRK
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# Quarantine Agreement for the Gaeseong Industrial Zone

This Quarantine Agreement (hereinafter referred to as "Agreement") for the Gaeseong Industrial Zone (hereinafter referred to as "Industrial Zone") is made and entered into by and between the ROK and the DPRK (hereinafter referred to as "Both Parties") on the terms and conditions set forth hereafter, in order to facilitate quarantine procedures for personnel, goods, and means of transport entering and departing from the Industrial Zone.

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## Article 1 Definitions

- 1) "Personnel" refers to ROK citizens, Koreans from overseas, foreigners and their family members who reside in or enter and depart from the Industrial Zone for the purpose of engaging in the development, operation, and maintenance of the Industrial Zone; seeking to establish businesses and conducting business activities of invested enterprises (hereinafter referred to as "enterprise(s)") in the Industrial Zone; or touring the Industrial Zone.
- 2) "Goods" refers to those articles necessary for: construction, operation, and maintenance of the Industrial Zone production and management activities of enterprises and the daily life of personnel who reside in the Industrial Zone.
- 3) "Entry and departure" mean an act of entering and departing from the Industrial Zone along the route designated by mutual agreement between Both Parties.

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- 4) "Transporting into" refers to the act of transporting goods into the Industrial Zone along the route designated by mutual agreement between Both Parties, and "transporting out of" refers to the act of transporting goods out of the Industrial Zone along said route.
  - 5) "Means of transport" refers to trains and various vehicles entering and departing from the Industrial Zone for the purpose of transporting personnel and goods into and out of the Industrial Zone or for the purpose of construction, operation, and maintenance of the Industrial Zone.

## **Article 2 Designation of Access Routes**

Both Parties shall designate, by mutual agreement, the access routes for roads and railways connecting the operations control office for trains and vehicles and the Industrial Zone, prior to the commencement of the Industrial Zone development project.

## **Article 3 Subject, Criteria, and Methods of Quarantine**

- 1) Both Parties shall determine by mutual agreement the objects to which quarantine will apply, among the goods being transported into and out of the Industrial Zone along the designated route, and also the criteria and methods of quarantine, prior to the commencement of the Industrial Zone development project.
- 2) Personnel, means of transport, and equipment that directly enter or depart from the Industrial Zone along the designated



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route shall not be quarantined, except under special circumstances such as the outbreak of any communicable disease.

#### **Article 4 Establishment of Industrial Zone Quarantine Office**

The DPRK shall establish a quarantine office within the Industrial Zone (hereinafter referred to as "Industrial Zone Quarantine Office") with full responsibility for conducting quarantine inspections of goods being transported into and out of the Industrial Zone.

#### **Article 5 Quarantine Principles**

- 1) The Industrial Zone Quarantine Office shall expedite the passage of goods through the quarantine procedure by simplifying such procedures. If necessary, the Management Committee may dispatch its personnel to assist the Industrial Zone Quarantine Office with quarantine inspections.
- 2) If it is required to conduct special quarantine inspections of personnel, means of transport, or goods not normally subject to quarantine, the Industrial Zone Quarantine Office shall do so only after consulting with the ROK's operations control office for trains and vehicles. The Industrial Zone Quarantine Office may choose not to inspect persons holding a health certificate or vaccine certificate.
- 3) The Industrial Zone Quarantine Office shall collect a quarantine fee with respect to the subject of a quarantine inspection. The standards for such a quarantine fee shall be determined by the Industrial Zone Quarantine Office, in consultation with the Management Committee.

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## **Article 6 Quarantine Inspection of Goods Transported into Industrial Zone**

- 1) A person transporting into the Industrial Zone any goods subject to quarantine hereunder shall immediately warehouse the goods at the Industrial Zone Quarantine Office upon arrival and submit an application for a quarantine inspection.
- 2) The Industrial Zone Quarantine Office shall conduct a quarantine inspection of such goods and issue a quarantine certificate for goods that have satisfied quarantine standards.
- 3) The Industrial Zone Quarantine Office may issue a disposition for sterilization, return, or prohibition of use with respect to goods that fail to pass quarantine, and shall notify the ROK's operations control office for trains and vehicles of the reason for rendering such a disposition.

## **Article 7 Quarantine Inspection of Goods Transported out of Industrial Zone**

- 1) A person who intends to transport out of the Industrial Zone any goods subject to quarantine hereunder shall immediately warehouse the goods at the Industrial Zone Quarantine Office and submit an application for a quarantine inspection.
- 2) The Industrial Zone Quarantine Office shall conduct a quarantine inspection of such goods and issue a quarantine certificate for goods that have satisfied quarantine standards. No one may transport out of the Industrial Zone any goods that fail to pass the quarantine procedure.

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- 3) If no quarantine inspection is required by the ROK for certain goods, said goods may be transported out of the Industrial Zone without going through the quarantine procedure.

### **Article 8 Provision of Information**

Each party shall notify the other party of the enactment, revision, and supplementation of its laws and regulations regarding quarantine, and shall promptly respond to the other party's request for provision of relevant data and information, unless particular circumstances require otherwise.

### **Article 9 Cooperation and Interaction between Quarantine Authorities**

The quarantine authorities of Both Parties shall cooperate and interact with each other to facilitate the quarantine of goods transported into and out of the Industrial Zone.

### **Article 10 Interpretation and Application**

It is agreed upon by Both Parties that problems arising in relation to the interpretation and application of this Agreement shall be dealt with and settled by the Inter-Korean Economic Promotion Committee or a body authorized by said Committee.

### **Article 11 Revision and Supplementation**

If necessary, Both Parties may revise or supplement any provision of this Agreement upon mutual agreement. A revised or supplemented provision shall come into effect upon completion

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of the procedure outlined in Article 12.1 hereof.

## **Article 12 Effectuation and Repeal**

- 1) This Agreement shall take effect on the date when Both Parties, having respectively followed the formalities for effectuation hereof, sign and deliver this Agreement.
- 2) This Agreement shall have the same force and effect as each party's relevant laws and regulations.
- 3) This Agreement shall continue to remain valid unless either party provides the other party with a written notice of its intent to repeal the same. Such a notice of repeal shall come into effect six (6) months after the date of notice.

This Agreement was executed in duplicate on December 8, 2002, and the two originals shall have the same force and effect.

Inter-Korean Economic Cooperation  
Promotion Committee  
Chairman/ROK  
**Jinshik Yoon**  
Deputy Minister of the Ministry of  
Economy and Finance, ROK

Inter-Korean Economic Cooperation  
Promotion Committee  
Chairman/DPRK  
**Changryeon Park**  
Deputy Chairman of the National  
Planning Commission, DPRK

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# **Agreement on Entry to, Departure from, and Stay within the Gaeseong Industrial Zone and Mt. Geumgang Tourist Zone**

This Agreement (hereinafter referred to as “Agreement”) on Entry to, Departure from, and Stay within the Gaeseong Industrial Zone and Mt. Geumgang Tourist Zone (both zones are hereinafter referred to as “Area”) is made and entered into by and between the ROK and the DPRK, on the terms and conditions set forth hereafter, for the purpose of developing economic cooperation projects aimed at the balanced development of the Korean people’s economy and facilitating entry to, departure from, and stay within the Area, in compliance with the basic spirit of the historic June 15th Joint Declaration.

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## **Article 1 Definitions**

- 1) "Personnel" refers to citizens of the ROK, Koreans from overseas, and foreigners who enter the Area from the ROK’s territory and depart from the Area for the ROK’s territory.
- 2) "Vehicle" refers to various means of transport, including automobiles, trains, and ships, that enter the Area from the ROK’s territory and depart from the Area for the ROK’s territory.
- 3) "Entry and departure" refers to an act in which personnel or vehicles enter the Area from the ROK’s territory and depart from the Area for the ROK’s territory.

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- 4) "Stay" refers to when personnel stay within the Area for a certain period.
  - 5) "Access Route" refers to a route, designated by mutual agreement between Both Parties, for personnel and vehicles to enter the Area from the ROK's territory and depart from the Area for the ROK's territory.

## **Article 2 Basic Principles**

- 1) Both Parties shall actively cooperate with each other to guarantee that personnel and vehicles are able to enter, depart from, and stay within the Area in an expeditious and safe manner.
- 2) The DPRK shall guarantee personnel's personal safety and ensure that personnel will be provided with the conveniences necessary for carrying out the purpose of their stay.
- 3) Personnel shall observe the laws and orders applicable to the Area.

## **Article 3 Access Routes**

Both Parties shall designate routes for access to the Area, such as railways, roads, and sea lanes, by mutual agreement. The route for access already opened for use between the ROK's territory and the Area shall be deemed to have been designated under this Agreement.

## **Article 4 Procedures for Entry and Departure of Personnel**

- 1) Personnel entering and departing from the Area shall use an

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entering/departing vehicle and carry an appropriate certificate issued by the ROK's relevant authorities, as well as an appropriate certificate issued by the Area Management Committee. The DPRK shall allow any person carrying the appropriate certificates to enter and depart from the Area, unless special circumstances require otherwise.

- 2) A person staying or residing in the Area may enter and depart from the Area multiple times within the period of validity of the certificate certifying his/her stay or residence within the Area.
- 3) A person under fourteen (14) years of age may enter and depart from the Area, as long as he/she is duly listed as an accompanying party on the relevant certificate of a parent or guardian.
- 4) A person who is a citizen of any country other than the ROK shall carry an appropriate certificate issued by the Area Management Committee, together with his/her passport.

### **Article 5 Procedures for Entry and Departure of Vehicles**

- 1) An automobile shall enter and depart from the Area along a designated access route, carrying an appropriate certificate related to its operation.
- 2) A ship shall enter and depart from the Area only after notifying the relevant DPRK agency of information on the ship, including a list of crew and passengers, and the estimated time of arrival at and departure from the port, and obtaining approval thereof.

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- 3) A train shall enter and depart from the Area according to a timetable agreed upon between Both Parties.

## **Article 6 Immigrations Inspection**

- 1) The DPRK may conduct at the place of entry and departure an immigrations inspection, customs inspection, and quarantine with respect to personnel and vehicles entering and departing from the Area, in accordance with prescribed procedures.
- 2) The DPRK shall guarantee personnel's personal safety while in the Area and also guarantee that personnel and entering/ departing vehicles are provided with the necessary conveniences related to their entry and departure. Both Parties shall actively cooperate with each other to ensure the Area's security as well as the expeditious and accurate conduct of inspections and quarantines.
- 3) The DPRK may conduct the aforementioned inspections and quarantine on board vehicles or ships entering and departing from the Area.

## **Article 7 Stay**

- 1) Each person shall stay in the Area within the period of validity of the appropriate certificate he/she holds, and shall carry with him/her at all times a certificate confirming his/her entry, departure, or stay.
- 2) A person shall register his/her stay with the Area Immigration Office within forty-eight (48) hours of the time of arrival and



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receive on his/her appropriate certificate a stamp confirming the registration of his/her stay.

- 3) If a person intends to stay beyond the duration of stay specified on his/her appropriate certificate, he/she shall submit, at least three (3) days prior to the end of the duration of stay, an application to the relevant ROK authority and the Area Managing Committee for extension of such duration, and obtain approval of such extension.
- 4) If a person intends to change the number of days of stay already registered, within the duration of stay specified on his/her appropriate certificate, he/she shall report the same to the Area Immigration Office.
- 5) A person who falls into any of the following categories shall not be required to register his/her stay hereunder:
  - a) A person departing from the Area within seven (7) days of the date of arrival;
  - b) A person who is staying over a long term or resides in the Area and
  - c) Any person who is exempt from such registration, according to a mutual agreement reached between Both Parties.
- 6) A person who intends to stays beyond ninety (90) days or resides for one (1) year or longer shall register his/her long-term stay or residence, in accordance with the prescribed procedures.

## **Article 8 Restrictions on Access and Stay**

The DPRK may prohibit access to and stay in the Area with respect

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to a person who falls into any of the following categories:

- 1) An international terrorist;
- 2) A drug addict or mentally ill person
- 3) A patient with a communicable disease or an individual suspected of being infected with a communicable disease;
- 4) A person holding a forged certificate, a certificate damaged too seriously to be verified, or one whose validity has already expired; or
- 5) A person who is prohibited from entering, staying, or residing within the Area, by mutual agreement between Both Parties.

### **Article 9 Measures for Emergency Rescue**

If an emergency situation occurs, such as a natural disaster or unexpected accident, the DPRK shall take necessary actions to rescue the affected personnel and vehicles, and the ROK shall cooperate with the DPRK in this regard.

### **Article 10 Guarantee of Personal Safety**

- 1) The DPRK shall guarantee the inviolability of body, domicile, and personal property of each person.
- 2) If a person has violated any of the laws and orders applicable to the Area, the DPRK may cause said person to halt any such violation and conduct an investigation of the violation. The DPRK shall notify the ROK of the details of such violation and, depending on the severity of the violation, may issue a warning, impose a penalty, or expel the person to the ROK's territory.

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Notwithstanding the foregoing provision, an act of material violation agreed upon by the ROK and the DPRK shall be treated in accordance with a separate agreement to be reached between Both Parties.

- 3) The DPRK shall guarantee the basic rights of the subject of an investigation while he/she is under investigation.
- 4) With respect to a person who has violated any of the laws and orders applicable to the Area and been expelled to the ROK's territory, the ROK shall conduct an investigation and take appropriate measures against him/her, taking into account the DPRK's opinion, and shall notify the DPRK of the result thereof. In addition, the ROK shall take necessary countermeasures against any recurrence of a violation of the laws and orders.
- 5) The ROK and the DPRK shall actively cooperate to settle indemnities for death, personal injury, and/or damages to property that may arise due to any misconduct of personnel.
- 6) If a foreigner has violated any laws and orders, such violation shall be treated in accordance with a treaty between the DPRK and said foreigner's home country, if any.

## **Article 11 Passage between the Area and DPRK Territory outside the Area**

If personnel and vehicles leave the Area to enter DPRK territory outside the Area, or leave DPRK territory outside the Area to enter the Area, such passage shall be subject to procedures prescribed separately by the DPRK.

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## **Article 12 Exchange of Information and Cooperation**

- 1) Each party shall notify the other party of the information required for the implementation of this Agreement and shall actively cooperate with the other party regarding the other party's request for provision of such information, unless special circumstances require otherwise.
- 2) The ROK and the DPRK shall form and operate a joint committee to address and settle all matters potentially arising in relation to entry, departure, and stay hereunder. The particulars concerning composition and operation of said committee shall be determined through a separate agreement between Both Parties.

## **Article 13 Settlement of Problems related to Interpretation and Application**

It is agreed upon by Both Parties that problems arising in relation to interpretation and application of this Agreement shall be dealt with and settled by the Inter-Korean Economic Promotion Committee or a body authorized by said committee.

## **Article 14 Scope of Application of Agreement**

This Agreement shall apply, with priority, to matters related to the entry, departure, and stay of personnel and vehicles.

## **Article 15 Revision and Supplementation**

This Agreement may be revised or supplemented upon agreement between the ROK and the DPRK. Any revised or supplemented

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provision hereof shall come into effect upon completion of the procedure outlined in Article 16.1 hereof.

## **Article 16 Effectuation and Repeal**

- 1) This Agreement shall take effect on the date when Both Parties, having respectively followed the formalities for effectuation hereof, sign and deliver this Agreement.
- 2) This Agreement shall remain valid unless either party provides the other party with a written notice of its intent to repeal the same. Such a notice of repeal shall come into effect six (6) months after the date of notice.

This Agreement was executed by Both Parties in duplicate on January 29, 2004, and the two originals shall have the same force and effect.

Inter-Korean Ministerial Meeting  
Chief Representative of ROK Delegates  
**Sehyeon Jeong**  
Minister of the Ministry of Unification ROK

Inter-Korean Ministerial Meeting  
Chief of DPRK Delegates  
**Ryeongseong Kim**  
Chief Cabinet Councilor, DPRK



### 제3장 간지





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# Agreement on Investment Protection between the South and the North

The South and the North hereby confirm that the economic exchange and cooperation being pursued according to the “South–North Joint Declaration” announced on June 15, 2000 are internal transactions among the Korean people and not transactions between two separate nations, and in order to protect the investment assets of the investors from each party and to provide favorable conditions for investment, agree as follows:

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## Article 1 Definitions

1. "Investment assets" mean every type of asset invested by investors of the South and the North located in the area of the other party in accordance with the laws and regulations of the other party and includes the following:
  - a) movable and immovable property and other related property rights;
  - b) monetary properties including reinvested returns and loans, and claims having economic value;
  - c) intellectual property rights, including rights with respect to copyrights, patents, trademarks, design rights and technical advancements, and other similar rights;
  - d) rights to a company or a public institution such as shares, stocks, debentures and government or public bonds;
  - e) business concessions having economic value conferred by law or under contract including permission to explore, extract or develop natural resources; and,
  - f) all other assets invested by an investor. Any change in the

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form of assets that are invested or reinvested are recognized as investment assets provided that they do not contradict the laws and regulations of the party that accepted the investment.

2. "Investor" means any natural or juridical persons of a party who invest in the area of the other party and includes the following:
  - a) juridical persons such as corporations, associations and organizations established and pursuing economic activities in accordance with the laws and regulations of a party; and,
  - b) natural persons with a domicile located in a party.
3. "Proceeds" means the funds derived from investments such as profit, interest, income from sale of property, dividends, royalties from intellectual property rights and technology licensing and commissions.
4. "Economic activities" means activities including the management of investment property and proceeds and liquidation of a company.
5. "Area" means an area under the jurisdiction of the South and the North.
6. "Freely convertible currency" means a currency that is widely used to make payments for international transactions and widely exchanged in principal international exchange markets.

## **Article 2 Permission and Protection**

1. The South and the North shall create favorable conditions for investors of each other to make investments in their areas and

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shall grant permission to such investments in accordance with their laws and regulations.

In such case, sympathetic consideration shall be given to issues arising out of the entry, sojourn and movement of persons for the purpose of realization of investment and business activities.

2. The South and the North shall protect the investment assets of investors of each other in their area in accordance with their laws and regulations.
3. Upon the approval of an investment according to the relevant laws and regulations, the South and the North shall guarantee the free exercise of management activities of investors of each other that occurs based on an approved contract and articles of association.

### **Article 3 Treatment**

1. The South and the North shall in their areas accord to investors, investment assets, proceeds and business activities of each other treatment that is same or more favorable than that accorded to investors of other countries.
2. The South and the North are not obligated to accord to investors from each party any treatment, preference or privilege accorded to investors of other countries by virtue of any customs union, economic union and common market, regional and quasi-regional agreements, and double taxation treaties.

### **Article 4 Expropriation and Compensation for Losses**

1. The South and the North shall not nationalize, expropriate, or

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restrict the property rights of, or implement any measure having the same effect, (hereinafter referred to as "expropriation") the investment assets of investors from each party located in the area of the other party. Notwithstanding, such measures can be carried out for public purpose upon the investment assets from each party investors provided that they occur under legal procedures that do not discriminate against domestic investors or investors from other countries. In such case, prompt, adequate and effective compensation shall be provided.

2. The South and the North shall without delay pay such compensation including interest at the general commercial rate starting from the date of expropriation until the date of payment. The amount of compensation shall equal the international market value of the investment immediately before the decision on the expropriation became public knowledge.
3. The South and the North shall not accord treatment no less favorable than that accorded to its own investors or to investors of other countries with regard to restitution or compensation when the investments of investors from each party suffer losses due to an armed conflict or other abnormal situations.

## **Article 5 Transfers**

1. The South and the North shall guarantee that the following transfers of investment-related payments of the investors from either party are to be made freely and without delay into and out of the respective areas in freely convertible currency:
  - a) initial capital investment and additional capital for maintaining

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- and expanding the investing company;
- b) income resulting from investments including profits, interest and dividends;
  - c) loan repayment and its interest;
  - d) income from the conveyance or liquidation of investment assets;
  - e) wages and other legal incomes related to investment received by the personnel of a party employed by a company of the other party;
  - f) compensation pursuant to Article 4 and Article 7, Paragraph 1 of this Agreement;
  - g) payment to a party or its designated agency pursuant to Article 6 of this Agreement; and,
  - h) other investment-related payments.
2. The exchange rate to be adopted for the transfer shall be the exchange rate on the date of transfer applicable in the foreign exchange market of the party in which the investment was made.
3. Transfers shall follow the procedures established by the competent authority of the party where the investment was made. In such case, the rights described in Paragraph 1 and 2 of this Article shall not be violated.

### **Article 6 Subrogation**

If one party or its designated agency makes a payment to its own investors under a financial guarantee given in respect to investments on noncommercial risks, the other party shall recognize that the former party or its designated agency is entitled to take over and

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exercise the rights including the claims for compensation for damages of its investors, and bears, within the range of the rights, the investment-related obligations including tax payments.

## **Article 7 Settlement of Disputes**

1. Disputes between one party and investors of the other party arising from a violation of the rights vested in this Agreement shall be resolved through mutual consultation of the involved parties.

If this dispute has not been settled through mutual consultation, the investor shall bring the case to the South-North Commercial Arbitration Committee established by mutual agreement of the South and the North.

The competent authorities of the parties agree that investors shall settle the disputes through arbitration.

2. Disputes between the competent authorities of the parties arising in connection with the interpretation and application of this Agreement shall be resolved through mutual consultation at the "North-South Ministerial Level Talks" or through such organization as designated thereby.

## **Article 8 Relationship with Other Laws, Agreements and Contracts**

Laws of a party with more favorable investment provisions than accorded by this Agreement or international agreements where both parties are members or contracts between a party and an investor shall, limited to those provisions specifying a more favorable treatment, prevail over this Agreement.

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## **Article 9 Providing Information**

1. The South and the North shall mutually provide each other with newly enacted, modified and supplemented laws regarding investments.
2. The South and the North shall provide without delay upon request by a party investment-related information.

## **Article 10 Scope of Application**

This Agreement shall apply to all investments located in the areas of the parties by their investors, whether made before or after its entry into force.

However, this Agreement shall not apply to any disputes rising before its entry into force.

## **Article 11 Amendment and Supplementation**

The South and the North may, if necessary, amend or supplement the provisions of the Agreement based on mutual consultation. The amended or supplemented provisions shall become effective through the same procedures as provided in Article 12, Paragraph 1.

## **Article 12 Entry into Force and Termination**

1. The Agreement shall come into force on the day the written copies of the Agreement, which are signed by both the South and the North and which have also fulfilled the necessary formalities for effectuation, are exchanged.

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2. The Agreement shall remain in force unless one of the parties notifies its intention to terminate the Agreement in writing to the other party. The notice of termination shall become effective after six months from the date of such notification.
  3. Assets invested while the Agreement is in force shall be protected and treated in accordance with the provisions of Article 1 through Article 8 for ten years from the date of termination.

This Agreement has been executed in duplicate on the date of December 16, 2000, and each original copy shall have the same effect as the other.

Representing the South  
**Park Jae-kyu**  
Republic of Korea  
Minister of Unification

The Inter-Korean Ministerial Talks

Representing the North  
**Jon Kum-jin**  
Democratic People's Republic of Korea  
Senior Cabinet Councilor  
Chief Delegate of the North for

The Inter-Korean Ministerial Talks



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# **Agreement on Prevention of Double Taxation of Income between the South and the North**

The South and the North hereby confirm that the economic exchange and cooperation being pursued according to the historic "South-North Joint Declaration" announced on June 15, 2000 are internal transactions among the Korean people and not transactions between two separate nations, and in order to prevent the double taxation of income, agree as follows:

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## **Article 1 General Definitions**

For purposes of this Agreement:

1. the term "individual" means a natural person who is liable to taxation;
2. the term "company" means an enterprise, corporation or any organization that is treated as a legal person for taxation purposes;
3. the term "enterprise" means any entity the status of a legal person or any business organization carried on by an individual;
4. the term "permanent establishment" means a fixed place of business through which the business of an enterprise is wholly or partially carried on;
5. the term "fixed base" means a fixed place of business through which an individual independently furnishes personal services;

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6. the term "transportation" means any transportation by a vehicle, train, ship or aircraft operated between the South and the North, except when the vehicle, train, ship or aircraft is operated solely within a party; and,
  7. the term "competent authority" means the Minister of Finance and Economy or the Minister's authorized representative in the case of the South, and the in the case of the North.
  8. As regards the application of the Agreement by a party, any term not defined therein shall have the meaning that it has at that time under the taxation law of that party.

## **Article 2 Applicable Entities**

This Agreement shall apply to an individual or a company who is a resident of one or both of the parties.

## **Article 3 Taxes Covered**

1. The taxes to which this Agreement shall apply are the following:
  - a) in case of the South, the income tax, the corporation tax and inhabitant tax; and,
  - b) in case of the North, the enterprise income tax, the individual income tax and the local tax on income.
2. The Agreement shall also apply to any identical or substantially similar taxes that are imposed after the date of signature of the Agreement in addition to, or in place of, the existing taxes. Both parties shall notify each other of changes that have been made

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to the taxes covered under this Agreement.

## **Article 4 Resident Determination**

1. The term "resident of a party" means any individual or company who, under the laws of that party, is liable to taxation therein by reason of their domicile, residence, place of management, place of registration or place of head or main office. But this term does not include any individual or company who is liable to taxation in a party with respect to income generated from sources solely in that party.
2. Individuals that are residents of both parties shall be considered as residents of one party under the following conditions:
  - a) Individuals shall be deemed a resident of a party in which they have a home where they permanently reside; if that individual has homes that they permanently reside in both parties, that individual shall be deemed to be a resident of a party with which that person has closer economic ties;
  - b) If an individual does not have a home where they permanent reside in either party and if it cannot be determined where that individual has closer economic ties, then that person shall be deemed to be a resident of a party in which that individual usually stays.
3. Where a company is a resident of both parties, then it shall be deemed to be a resident only of the party in which its place of effective management is situated.
4. Where there are questions as to the residency determination

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of an individual and a company, the competent authorities of the parties shall settle the question by mutual consultation.

## **Article 5 Permanent Establishment Determination**

1. The term "permanent establishment" includes a place of management, a branch, an office, a factory, a workshop, a selling place, a farm, a coal mine, a mine, a quarry, an oil or gas well or any other place of extraction of natural resources. A building site or construction or installation or assembly project or a place in which design or supervisory activity therewith is exercised constitutes a permanent establishment if it lasts more than six months.
2. The term "permanent establishment" shall be deemed not to include locations used for the purposes of purchase, storage, display, delivery or processing of goods and merchandise owned by a company or any other activity of a preparatory or auxiliary character such as advertising or collecting information.
3. Where an agent located in a party acting on behalf of an enterprise from the other party usually exercises the authority to conclude contracts in the name of that enterprise, that enterprise shall be deemed to have a permanent establishment in the party where the agent is located. Where an agent engages in the activities provided in paragraph 2, however, it shall not be deemed to be a permanent establishment.
4. An enterprise of a party shall not be deemed to have a permanent establishment in the other party merely because it carries on business in that other party through a broker or

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commission agent. Where the activities of such a broker or commission agent, however, are exclusively devoted on behalf of that enterprise, that enterprise shall be deemed to have a permanent establishment in that other party.

5. No enterprise shall be considered a permanent establishment of another enterprise solely because it is an enterprise of a party that controls or is controlled by an enterprise from the other party.

## **Article 6 Income from Immovable Property**

1. Income derived by a resident of a party from immovable property, including income derived from agriculture or forestry, situated in the other party may be taxed in that other party.
2. The term "immovable property" shall include in any case property accessory to immovable property, the right to use land, mountains or forests, usufruct of immovable property, rights to extract natural resources, livestock and equipment used in agriculture and forestry. Ships and aircraft shall not be regarded as immovable property. Unless the context otherwise requires, the term "immovable property" shall have the meaning that it has under the law of the party in which the property in question is located.
3. The provisions of paragraph 1 shall apply to income derived from the direct use, leasing, or use in any other form of immovable property.
4. The provisions of paragraphs 1 and 3 shall also apply to the

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income from immovable property of an enterprise and to income from immovable property used for the performance of independent personal services.

## **Article 7 Enterprise Profits**

1. If an enterprise of a party carries on business through a permanent establishment situated in the other party, the profits of the enterprise may be taxed in the other party. In this case, only the profits that are attributable to that permanent establishment in the other party may be taxed.
2. Where an enterprise of a party carries on business in the other party through a permanent establishment situated therein, there shall in each party be attributed to that permanent establishment the profits that it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing independently with the enterprise of which it is a permanent establishment.
3. In determining the profits of a permanent establishment, there shall be allowed as deductions expenses that are incurred for the operation of the permanent establishment, including executive and general administrative expenses so incurred.
4. In determining the profits of a permanent establishment, there shall not be allowed as deductions royalties, commissions, remuneration or any other similar payment paid as a consideration of intellectual ownership and consultation service furnished by the enterprise of which it is a permanent establishment.

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5. No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise of which it is a permanent establishment unless its purchase is for the purpose of profit-making.
  6. The profits to be attributed to a permanent establishment shall be determined by the same method every year unless sufficient reason to change it exists.
  7. Where other Articles of this Agreement provide provisions regarding enterprise profits, those Articles shall apply.

### **Article 8 Transportation Income**

1. Profits derived by an enterprise of a party from operating a means of transportation such as a vehicle, train, ship or aircraft operated between the South and the North by an enterprise of a party may be taxed in that party.
2. Profits derived by an enterprise of a party from operating a means of transportation such as a vehicle, train, ship or aircraft operated between the South and the North, in the other party may also be taxed in that other party pursuant to the taxation law therein. However, 50 percent of the tax so charged shall be exempt in that other party thereof.
3. Income derived from using or leasing a means of transportation including a container also shall be included transportation income.
4. The provisions of paragraphs 1 and 2 shall also apply to profits

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derived from the participation in the joint management, joint investment or international management structure.

## **Article 9 Related Enterprise Profits**

1. Under the following conditions where profits that are made or imposed between two enterprises that in their commercial or financial relations differ from those that would be made between independent enterprises, then any profits that would, but for those conditions, have accrued to one of the enterprises, may be included in the profits of that enterprise and taxed accordingly:
  - a) where an enterprise of a party participates directly or indirectly in the investment or management of an enterprise of the other party; or,
  - b) where enterprises of both parties jointly participate directly or indirectly in the investment or management of other enterprise in a party or the other party.
2. Where a party includes in the profits of an enterprise of that party-and taxes accordingly-profits on which an enterprise of the other party has been charged to tax in that other party and the profits so included are profits that would have accrued to the enterprise of the first-mentioned party if the conditions made between the two enterprises had been those that would have been made between independent enterprises, then that other party shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of this Agreement and the competent authorities of the parties



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shall, if necessary, mutually consult each other.

## **Article 10 Dividends**

1. Dividends paid by a company that is a resident of a party to a resident of the other party may be taxed in that other party.
2. Such dividends may also be taxed according to the laws of that party of which the company paying the dividends is a resident. If the beneficial owner of the dividends is a resident of the other party, the tax so charged shall not exceed 10 percent of the gross amount of the dividends. This paragraph shall not apply to dividends remitted before the taxes on the profits were paid.
3. The term "dividends" as used in this Article means income derived from shares or rights to participate in profits not being debt-claims, as well as income from other rights that is subjected to the same taxation treatment as income from shares by the laws of the party of which the company making the distribution is a resident and income distributed to an individual or a company that participates in a joint enterprise including a jointly managed company or joint venture.
4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the dividends, being a resident of a party, carries on business in the other party of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other party independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment

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or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

5. Where a company that is a resident of a party derives profits or dividends from the other party, that other party may not impose any tax on the undistributed profits or dividends if dividends are not paid to a resident of that other party or if the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base located in that other party, even if the dividends or profits are derived in such other party.

### **Article 11 Interest Income**

1. Interest arising in a party and paid to a resident of the other party may be taxed in that other party.
2. Such interest may also be taxed in the party in which it arises and according to the laws of that party, but if the beneficial owner of the interest is a resident of the other party, the tax so charged shall not exceed 10 percent of the gross amount of the interest.
3. The term "interest" as used in this Article means income from debt-claims such as national bonds, public bonds, or debentures, including premiums and incentive funds attached to such bonds or debentures.
4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the interest, being a resident of a party, carries on business in the other party in which the interest

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arises, through a permanent establishment situated therein, or performs in that other party independent personal services from a fixed base situated therein, and the debt-claim in respect to which the interest are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

5. Interest shall be deemed to arise in a party when the payer is a resident of that party. Where the person paying the interest, whether a resident of a party or not, has in a party a permanent establishment or a fixed base in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the party in which the permanent establishment or fixed base is situated.
6. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other individual or company, the amount of the interest, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provision of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each party, due regard being had to the other provisions of this Agreement.
7. Interest arising in a party and paid to the central or local government or the central bank of the other party shall be exempt from taxation in the first-mentioned party.

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## Article 12 Royalties

1. Royalties arising in a party and paid to a resident of the other party may be taxed in that other party.
2. Such royalties may also be taxed in the party in which they arise and according to the laws of that party, but if the recipient is the beneficial owner of the royalties, the tax so charged shall not exceed 10 percent of the gross amount of such royalties.
3. The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of scientific, literary or artistic work including cinematograph films and tapes for radio and television broadcasting, any patent, trade mark, design, invention, plan, secret formula or process, or the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.
4. This Article shall not apply if the beneficial owner of the royalties, being a resident of a party, carries on business in the other party in which the royalties arise, through a permanent establishment situated therein, or performs in that other party independent personal services from a fixed base situated therein, and the right or property in respect to which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.
5. Royalties shall be deemed to arise in a party when the payer is a resident of that party. Where the person paying the

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royalties, whether a resident of a party or not, has in a party a permanent establishment or a fixed base in connection with which the liability to pay the royalties was incurred, and the royalties are borne by such permanent establishment or fixed base, then the royalties shall be deemed to arise in the party in which the permanent establishment or fixed base is situated.

6. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other individual or company, the amount of the royalties paid exceeds the amount that would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provision of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each party, due regard being had to the other provisions of this Agreement.

### **Article 13 Capital Gains**

1. Gains derived by a resident of a party from the sale of immovable property situated in the other party may be taxed in that other party.
2. Gains derived by a resident of a party from the sale of shares or rights including invested capital of a company, the assets of which consist principally of immovable property situated in the other party, may be taxed in that other party.
3. Gains from the sale of part of the business property of a permanent establishment or fixed base that an enterprise of a party has in the other party including such gains from the sale of such a permanent establishment or fixed base may be taxed

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in that other party.

4. Gains from the sale of a vehicle, train, ship or aircraft operated between the South and the North by a resident of a party and of property pertaining to the operation of such a vehicle, train, ship or aircraft shall be taxable only in that party.
5. Gains from the sale of any property other than that referred to in paragraphs 1, 2, 3, and 4 shall be taxable only in the party of which the seller is a resident.

### **Article 14 Independent Personal Services**

1. Income from independent personal services or other similar activities derived by a resident of a party who has a fixed base in the other party or is present in that other party for a period or periods aggregating 183 days in any twelve month period may be taxed in that other party.
2. The term "independent personal services" includes especially independent scientific, educational, cultural, artistic activities as well as the independent activities of physicians, attorneys, technicians, architects and accountants.

### **Article 15 Dependent Personal Services**

1. Salaries and other similar remuneration derived by a resident of a party in connection with employment occurring in the other party may be taxed in that other party.
2. Remuneration derived by a resident of a party in connection

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with employment occurring in the other party shall be taxable only in the first-mentioned party if:

- a) the recipient is present in the other party for a period or periods not exceeding in the aggregate 183 days in any twelve month period;
  - b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other party; and,
  - c) the remuneration is not borne by a permanent establishment or a fixed base that the employer has in the other party.
3. Notwithstanding the provisions of paragraphs 1 and 2, remuneration derived in connection with employment occurring aboard a vehicle, train, ship or aircraft operated between the South and the North by an enterprise of a party shall be taxable only in that party.
  4. Salaries, wages and other similar remuneration derived by a resident of a party in connection with employment occurring in the other party for the Government of the first-mentioned party shall be taxable only in the first-mentioned party.

### **Article 16 Directors' Compensation**

Directors' compensation and other similar payments derived by a resident of a party in their capacity as a member of the board of directors of a company that is a resident of the other party may be taxed in that other party.

### **Article 17 Income of Artists and Sportspersons**

1. Notwithstanding the provisions of Articles 14 and 15, income

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derived by a resident of a party as an artist or a sportsperson, from their personal activities as such exercised in the other party, may be taxed in that other party.

2. Where income in respect to personal activities exercised by an artist or a sportsperson in their capacity as such accrues not to the entertainer or sportsperson themselves but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the party in which the activities of the artist or sportsperson are exercised.
3. Where the activities of an artist or sportsperson are exercised under the mutual agreement of or approval from both parties, income in respect of such activities shall be exempt from taxation in the party in which these activities are exercised.

## **Article 18 Pensions**

Pensions and other similar remuneration paid to a resident of a party in consideration of past employment shall be taxable only in that party.

## **Article 19 Support for Students and Trainees**

Support or scholarship that a student or trainee who is a resident of one party receives while residing in another party for the purpose of living expenses, education or training as well as any payment arising from sources outside that party shall be exempt from taxation in that party.



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## **Article 20 Income of Professors and Researchers**

1. Remuneration received as consideration of scientific research or teaching services by an individual who was a resident of one party and is residing in the other party at the invitation of a research institution, a university or any recognized educational institution shall be exempt from taxation in that party for two years from the date of their arrival.
2. Paragraph 1 shall not apply if such scientific research or teaching services are undertaken for private interests rather than public interests.

## **Article 21 Additional Income**

1. Items of income of a resident of a party, wherever arising, not covered in the foregoing Articles of this Agreement shall be taxable only in that party.
2. The provisions of paragraph 1 shall not apply to income if the beneficial owner of such income, being a resident of a party, carries on business in the other party through a permanent establishment situated therein, or performs in that other party independent personal services from a fixed base situated therein, and the right or property in respect to which the income is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

## **Article 22 Elimination of Double Taxation**

1. Where a resident of a party derives income that was or may

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be taxed in the other party, the first-mentioned party shall exempt such income from taxation. However, an amount equal to the tax paid or payable in respect to interest, dividends and royalties in the other party shall be allowed as a credit against the tax payable in the first-mentioned party.

2. Where reduction or exemption of the tax against income derived by a resident of a party from the other party is allowed pursuant to the law or other measures of that other party, the resident shall be recognized as having paid the tax concerned by the first-mentioned party.

### **Article 23 Non-Discrimination**

1. A party shall not subject a resident of the other party to any taxation that is more burdensome than the taxation to which a resident of the first-mentioned party in the same circumstances is or may be subjected.
2. The taxation on a permanent establishment in a party that is owned by an enterprise of the other party shall not be less favorably levied in the first-mentioned party than taxation levied on enterprises of that party carrying on the same activities. This provision shall not be construed as obligating a party to grant to residents of the other party reliefs, reductions and exemptions for taxation purposes that it grants to its own residents.
3. Except where the provisions of paragraph 1 of Article 9, paragraph 6 of Article 11, or paragraph 6 of Article 12 apply, interest, royalties and other disbursements paid by an enterprise

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of a party to a resident of the other party shall, for the purpose of determining these taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned party.

4. Enterprises of a party, the capital of which is wholly or partially owned or controlled, directly or indirectly, by one or more residents of the other party, shall not be subjected in the first-mentioned party to any taxation that is more burdensome than the taxation to which other similar enterprises of the first-mentioned party are or may be subjected.
5. This provisions of this Article shall apply only to taxes provided in Article 3.

### **Article 24 Mutual Agreement Procedure**

1. Where an individual or company considers that the actions of one or both of the parties result or will result in taxation not in accordance with the provisions of this Agreement, that person may present their case to the competent authority of the party of which that person is a resident. The case must be presented within three years from the first notification of the action concerned.
2. The competent authority shall, if it is not itself able to arrive at a satisfactory solution, resolve the case by mutual agreement with the competent authority of the other party.
3. Any problems arising as to the interpretation and application of this Agreement and the prevention of double taxation shall

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be resolved through mutual consultation by the competent authorities of the parties, the Ministerial Conference between the South and the North or other designated organizations.

### **Article 25 Exchange of Information**

1. The competent authorities of the parties shall exchange such information as is necessary for carrying out the provisions of this Agreement and other relevant tax information.
2. Any information received by a party shall be used only for the purposes of tax assessment or collection and settlement of disputes pursuant to the provisions of this Agreement.
3. A party shall not request any information at variance with legal or administrative measures or contrary to public order from the other party.

### **Article 26 Amendment and Supplement**

If necessary, both parties may amend or supplement the provisions of the Agreement based on mutual agreement. The amended or supplemented provisions shall become effective through the same procedures as provided in Article 27.

### **Article 27 Entry into Force**

1. The Agreement shall come into force on the day the written copies of the Agreement, which are signed by both the South and the North and which have also fulfilled the necessary formalities for effectuation, are exchanged.

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2. This Agreement shall apply as follows:
- a) in respect of taxes withheld at source, for income amount payable on or after the first day of January in the first calendar year following that in which this Agreement enters into force; and,
  - b) in respect of other taxes, for the taxable year beginning on or after the first day of January in the first calendar year following that in which this Agreement enters into force.

### **Article 28 Effective Term**

- 1. This Agreement shall remain in force unless a party initiates its termination. The party that wants to terminate this Agreement may give notice of termination to the other party at least six months before any calendar year beginning after the expiration of a period of five years from the date of its entry into force.
- 2. If this Agreement is terminated, the following items shall cease to have effect:
  - a) in respect of taxes withheld at source, for income amount payable on or after the first day of January in the first calendar year following that in which termination of this Agreement is notified; and,
  - b) in respect of other taxes, for the taxable year beginning on or after the first day of January in the first calendar year following that in which termination of this Agreement is notified.

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This Agreement has been executed in duplicate on the date of December 16, 2000, and each original copy shall have the same effect as the other.

Representing the South

**Park Jae-kyu**

Republic of Korea

Minister of Unification

The Inter-Korean Ministerial Talks

Representing the North

**Jon Kum-jin**

Democratic People's Republic of Korea

Senior Cabinet Councilor

Chief Delegate of the North for

The Inter-Korean Ministerial Talks

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# **Agreement on Procedures for Resolution of Commercial Disputes between the South and the North**

The South and the North hereby confirm that the economic exchange and cooperation being pursued according to the historical "South–North Joint Declaration" announced on June 15, 2000 are internal transactions among the Korean people and not transactions between two separate nations, and in order to resolve commercial disputes arising in the course of economic exchanges and cooperation in a fair and expeditious manner, agree as follows:

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## **Article 1 Principles for Settlement of Dispute**

Commercial disputes arising in the course of economic exchanges and cooperation between the South and the North shall be resolved by mutual consultation between the parties concerned. As a general rule, disputes that cannot be resolved by mutual consultation shall be resolved through arbitration.

## **Article 2 Organization of the Arbitration Committee**

The South and the North shall establish South-North Commercial Arbitration Committee (hereinafter referred to as the "Arbitration Committee") consisting of one chairperson and four Committee members to resolve commercial disputes arising in the course of economic exchanges and cooperation.

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## **Article 3 Functions of the Arbitration Committee**

The Arbitration Committee shall perform the following functions:

1. Arbitration or conciliation of commercial disputes arising in the course of economic exchanges and cooperation between the parties concerned of the North and the South or between the party concerned of one side and the competent authority of the other side, and matters related thereto;
2. Arbitration or conciliation of disputes, stipulated under Article 7, Paragraph 1 of the Agreement on Investment Protection between the South and the North, applied by the parties concerned and matters related thereto;
3. Enactment, amendment, and supplementation of the arbitration rules and the regulations relating thereto;
4. Appointment of arbitrators under Article 5, Paragraph 1;
5. Appointment of an arbitrator or arbitrators under Article 10, Paragraph 3; and,
6. Any other functions conferred upon the Arbitration Committee by mutual agreement of the South and the North.

## **Article 4 Decision-making by the Arbitration Committee**

Decisions of the Arbitration Committee shall be made by mutual agreement between the chairperson and the Committee members



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appointed by the South and the North.

## **Article 5 Preparation and Exchanges of Register of Arbitrators**

1. The South and the North, through the Arbitration Committee, shall each appoint thirty arbitrators, prepare a Register of Arbitrators, and exchange the Registers.
2. In the event that there is any change in arbitrators, the chairperson of the relevant side of the Arbitration Committee shall notify such to the other chairperson.
3. The chairpersons or any of the members of the Arbitration Committee, if necessary, may be appointed to act as an arbitrator as provided under paragraph 1.

## **Article 6 Qualifications of Arbitrators**

Arbitrators shall be persons who are well versed in relevant laws and international trade and investment matters.

## **Article 7 Guarantee of Arbitrator's Activities**

The South and the North shall ensure that arbitrators designated by each party shall perform their duties in a fair and impartial manner.

## **Article 8 Disputes under the Jurisdiction of the Arbitration Committee**

The Arbitration Committee shall have competence over the

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following disputes:

1. Commercial disputes arising in the course of economic exchanges and cooperation between the South and the North that have been mutually agreed by the parties concerned in writing to be settled by submission to the Arbitration Committee. Neither party may unilaterally retract an agreement to arbitrate; and,
2. Disputes stipulated under Article 7, Paragraph 1 of the Agreement on Investment Protection between the South and the North.

### **Article 9 Request for Arbitration**

1. A party who wishes to request arbitration shall submit an application for arbitration to its respective chairperson of the Arbitration Committee. The date on which the party concerned with the dispute submits the application for arbitration shall be regarded as the date of the receipt of the request for arbitration. The chairpersons of the Arbitration Committee of both parties shall designate their respective institutions or entities that shall proceed with the matters related to the arbitration.
2. The chairperson of the Arbitration Committee who received the application for arbitration shall notify such to the chairperson of the other side within ten days.
3. Where the application for arbitration is submitted with their party concerned as a respondent, the chairperson of the relevant

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party of the Arbitration Committee shall notify such to the party concerned within ten days from the date of the receipt of a notice that the application for arbitration was submitted.

## **Article 10 Structure of Arbitral Tribunal**

1. The Arbitral Tribunal shall consist of three arbitrators appointed by mutual agreement between the parties concerned.
2. Where the parties concerned fail to reach an agreement with regard to the appointment of arbitrators within the agreed time limit, each party shall appoint one arbitrator from its Register of Arbitrators. The two appointed arbitrators shall then, based on mutual consultation, select one additional arbitrator from the Register of Arbitrators to act as the chief arbitrator.
3. In case arbitrators are not appointed within fifty days from the date of the receipt of the application for arbitration, the chairperson of one side of the Arbitration Committee shall select an arbitrator from the Register of Arbitrators by mutual consultation upon a request from the party concerned with the dispute. In case the chief arbitrator is not appointed, however, the chairpersons of both sides of the Arbitration Committee shall appoint the chief arbitrator from the Register of Arbitrators after mutual consultation. In the latter case, the chief arbitrator may also be selected by lot. The appointment of arbitrators shall be completed within thirty days from the date of the receipt of the request.
4. In case the chief arbitrator is not appointed in accordance with Paragraph 3, the chairperson of the Arbitration Committee may

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invite the International Center for the Settlement of Investment Disputes (ICSID) to appoint the chief arbitrator.

### **Article 11 Location of Arbitration**

The location of arbitration shall be determined by mutual consultation between the parties concerned. In case the place is not determined within ten days from the date of establishment of the Arbitral Tribunal, the Arbitral Tribunal shall determine the place of arbitration.

### **Article 12 Governing Law for the Arbitral Award**

The Arbitral Tribunal shall render the arbitral award in accordance with laws mutually agreed upon between the parties concerned. In the absence of any such agreement, the Arbitral Tribunal shall apply the relevant laws and regulations of the South or the North, general principles of international law, and the customary practice of international trade in rendering an arbitral award.

### **Article 13 Form and Contents of the Arbitral Award**

The arbitral award shall be decided by a majority of the arbitrators at the Arbitral Tribunal.

The award shall include the facts and evidence confirmed at the hearing, a written order relating to the settlement of the case, governing laws, and the date of the award. The arbitrators shall sign and seal the award.

### **Article 14 Time Limit for Arbitration**

The arbitral award shall be rendered within six months from the

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date of the receipt of the application for arbitration. If necessary, the Arbitral Tribunal may extend the time limit up to three months by mutual consultation with the parties concerned.

### **Article 15 Non-disclosure of the Arbitral Award**

The Arbitral Tribunal shall not disclose the arbitral award to any third party without the consent of the parties concerned.

### **Article 16 Fulfillment, Recognition, and Enforcement of the Arbitral Award**

1. The party concerned shall perform its obligations provided for in the arbitral award.
2. In case the party concerned fails to perform its obligations under the arbitral award or unfaithfully performs the foregoing, the other party may file an application of the execution thereof with a relevant court which has jurisdiction over the matters.
3. Unless there are special circumstances to consider, the South and the North shall recognize the arbitral award as binding and ensure that such an arbitral award is enforced in the same manner as the final and conclusive judgment of their respective relevant court. The Arbitration Committee shall determine whether such special circumstances exist.

### **Article 17 Conciliation**

1. In case there is a request for conciliation filed by both parties after the receipt of the application for arbitration, the Arbitration

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Committee shall suspend the arbitral proceedings and commence the conciliation proceeding.

2. The parties concerned shall appoint one or three conciliators by mutual agreement. The conciliators shall determine the procedure and method of the conciliation.
3. The result of the conciliation as agreed by the parties concerned shall proceed in accordance with the formalities of the arbitral award, and shall have the same effect as an arbitral award.
4. In case the disputes are not resolved through conciliation within thirty days from the date of the appointment of the conciliator(s), the conciliation proceeding shall be terminated and the arbitral proceedings shall resume. The parties concerned may extend the conciliation period by mutual agreement.

### **Article 18 Consultation, Amendment, and Supplementation**

1. The South and the North shall resolve problems arising in connection with the interpretation and application of this Agreement through mutual consultation at the "Inter-Korean Ministerial Talks" or through such organization as designated thereby.
2. The South and the North may, if necessary, amend or supplement the provisions of the Agreement based on mutual consultation. The amended or supplemented provisions shall become effective through the same procedures as provided in Article 19, Paragraph 1.

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## Article 19 Effectiveness and Termination

1. The Agreement shall come into force on the day the written copies of the Agreement, which are signed by both the South and the North and which have also fulfilled the necessary formalities for effectuation, are exchanged.
2. The Agreement shall remain in effect unless one of the parties notifies its intention to terminate the Agreement in writing to the other party. The notice of termination shall become effective after six months from the date of such notification.
3. Applications for arbitration received during the effective term of the Agreement shall be processed in accordance with Article 1 to Article 17 even after the Agreement becomes invalid.
4. The South and the North shall, by mutual consultation, determine the matters regarding the organization and operation of the Arbitration Committee within six months from the date the Agreement is signed.

This Agreement has been executed in duplicate on the date of December 16, 2000, and each original copy shall have the same effect as the other.

Representing the South  
**Park Jae-kyu**  
Republic of Korea  
Minister of Unification

The Inter-Korean Ministerial Talks

Representing the North  
**Jon Kum-jin**  
Democratic People's Republic of Korea  
Senior Cabinet Councilor  
Chief Delegate of the North for  
The Inter-Korean Ministerial Talks

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# **Agreement on Clearing Settlement between the South and the North**

The South and the North hereby confirm that the economic exchange and cooperation being pursued according to the historical “South–North Joint Declaration” announced on June 15, 2000 are internal transactions among the Korean people and not transactions between two separate nations, and in order to establish a clearing settlement system (“Clearing Settlement”) for economic transactions, agree as follows:

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## **Article 1 Scope of the Clearing Settlement**

The Clearing Settlement shall apply to the payment of traded goods as determined by mutual agreement between the South and the North and to the payment of services related to such traded goods thereof.

## **Article 2 Traded Goods and Quantity of Goods**

1. The South and the North shall determine by mutual agreement the goods to be traded through the Clearing Settlement method and their quantity prior to the start of transactions of each year. The South and the North, if necessary, can modify by mutual agreement the specified quantity of the goods.
- 2 The goods traded under the Clearing Settlement method shall be limited to those goods that originate in the South or the North.



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### **Article 3 Designation of the Clearing Settlement Bank and Opening of the Clearing Account**

The South and the North shall each designate a clearing settlement bank (the "Clearing Settlement Bank") and shall open a clearing account (the "Clearing Account") therein under the name of the other party's Clearing Settlement Bank.

### **Article 4 Credit Line**

The South and the North, by mutual agreement, shall establish and operate a credit line for the Clearing Account.

### **Article 5 Settlement Currency**

The currency of the Clearing Settlement shall be United States Dollars. The South and the North may mutually agree, if necessary, upon any other currency as the currency of the Clearing Settlement.

### **Article 6 Settlement Period**

The period of the Clearing Settlement shall be from January 1 to December 31 of each year. The balances due in the respective Clearing Account shall be settled by March 31 of the following year.

### **Article 7 Settlement Procedure and Method**

The Clearing Settlement Banks designated by the South and the North, respectively, shall by mutual agreement determine the settlement procedures and methods for implementing this Agreement.

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## **Article 8 General Settlement**

The settlement of prices and capital transfers that are not processed through the Clearing Settlement method shall be performed pursuant to the general settlement method conforming to international practices and through the banks designated respectively by each of the parties here to.

## **Article 9 Settlement of Problems Concerning Interpretation and Application**

The South and the North shall resolve problems arising in connection with the interpretation and application of this Agreement through mutual consultation at the "Inter- Korean Ministerial Talks" or through such organization as designated thereby.

## **Article 10 Effectiveness, Amendment and Supplementation**

1. The Agreement shall become effective on the day the written copies of the Agreement, which are signed by both the South and the North and which have also fulfilled the necessary formalities for effectuation, are exchanged.
2. The provisions of the Agreement may amended and supplemented by mutual agreement of the parties hereto. The amended and supplemented provisions shall become effective through the same procedures as provided in paragraph 1.
3. Within six months from the date that this Agreement has been signed, the South and the North shall determine by mutual

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agreement the goods and quantities of the goods to be traded under the Clearing Settlement method and the credit line limit of the Clearing Account, and shall designate each party's respective Clearing Settlement Bank and notify it to the other party.

This Agreement has been executed in duplicate on the date of December 16, 2000, and each original copy shall have the same effect as the other.

Representing the South  
**Park Jae-kyu**  
Republic of Korea  
Minister of Unification

The Inter-Korean Ministerial Talks

Representing the North  
**Jon Kum-jin**  
Democratic People's Republic of Korea  
Senior Cabinet Councilor  
Chief Delegate of the North for  
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