

2010

Code of the Act and Regulations for the Kaesong Industrial Zone

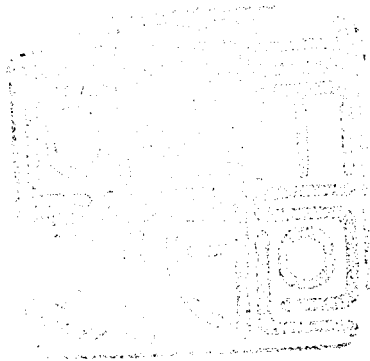


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〈Introduction〉

Status of Laws and Regulations Related to Kaesong Industrial Zone

1. Overview of KIZ Legal Framework

The Kaesong Industrial Zone (the "KIZ") is subject to certain inter-Korea agreements and the laws and regulations established by the South and the North, respectively.

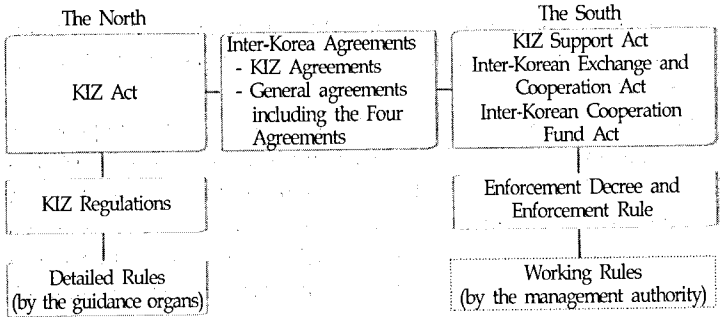
To facilitate the operation of the KIZ under inter-Korea cooperation, the Agreement on Entry into, Exit from and Stay in the KIZ and Kumgangsan Tourist Zone and the Agreements on telecommunication, customs clearance and quarantine in the KIZ have been entered into in turn (the "KIZ Agreements"). Also, the existing inter-Korea agreements applicable to inter-Korea transactions in general, including certain four inter-Korea agreements on investment protection and avoidance of double taxation, etc. (the "Four Agreements") will apply to the KIZ.

On August 26, 2007, the South put into effect the Kaesong Industrial Zone Support Act targeted to enterprises investing and personnel staying in the KIZ (the "KIZ Support Act"), and then the Enforcement Decree thereof followed. Any business activities in the KIZ are also subject to the Inter-Korea Exchange and Cooperation Act, and the Inter-Korean Cooperation Fund Act, etc. and their subordinate legislations including the Notification on the management of Goods to and from the KIZ and the Guideline on Foreign Exchange regarding Investment in the North.

The North has the Kaesong Industrial Zone Act, enacted as a

decree of the Presidium of the Supreme People's Assembly on November 20, 2002 (the "KIZ Act"), and, based on the KIZ Act, a number of regulations, including the Development Regulations and the Regulations on Establishment and Operation of Enterprise (the "KIZ Regulations"). The KIZ Act authorizes the central KIZ guidance organ to establish detailed rules of the KIZ Regulations and the KIZ management organ to establish working rules.

< KIZ Legal Framework >



2. Inter-Korea Agreements

The Four Agreements, adopted as of December 16, 2000, set forth basic terms and conditions of investment protection and avoidance of double taxation necessary for economic exchange and cooperation between the South and the North. Subsequently, nine more inter-Korea agreements were adopted particularly in relation to the KIZ. These inter-Korea agreements were put into effect by exchanging copies of the agreements after all procedures required for the effectuation were separately taken by the South and the North and have the same effect as acts in each jurisdiction.

A. Four Agreements for Economic Cooperation

The Agreement on Investment Protection between the South and the North expressly provides for the protection, and prohibition from expropriation or restriction, of assets of investors from each party located in the area of the other party, and the Agreement on Avoidance of Double Taxation on Income between the South and the North prohibits either party from imposing double taxes in relation to income tax, corporate income tax or (income tax pro-rata) resident tax.

The Agreement on Procedures for Resolution of Commercial Disputes between the South and the North provides for the formation and operation of a commercial arbitration committee to resolve disputes that may arise in the course of economic exchange and cooperation. The Agreement on Clearing Settlement between the South and the North sets forth the matters related to the payment for services or goods by way of clearing settlement.

B. KIZ Agreements and Other Agreements

In addition to the Four Agreements, more inter-Korea agreements were adopted and put into effect in different areas, including telecommunication, quarantine, motor vehicle operation, and train operation, in order to facilitate the implementation of the KIZ project and inter-Korea economic exchange and cooperation.

The Agreement on Entry into, Exit from and Stay in KIZ and the Kumgangsán Tourist Zone sets forth the procedures for the access and safety between the South and the North. It has also been reflected on the KIZ Act and the Regulations on Entry and Exit, Stay and Residence in Kaesong Industrial Zone of the North, thus laying the legal foundation for the access to the KIZ.

In addition, more agreements were entered into as of December 8, 2002 to set forth detailed procedures for the telecommunication,

customs clearance and quarantine, respectively, specific to the KIZ, which is jointly operated between the South and the North. Further agreements were entered into in relation to the procedures for verification of the place of origin, border-crossing of motor vehicles and train operation. The Agreement on Military Guarantees for Passage, Communication and Customs Clearance within the Joint Administration Area in the East and West Seas was tentatively executed to give military guarantees for passage, telecommunication, and customs clearance within the joint administration areas to facilitate exchange and cooperation in the KIZ.

Category	Inter-Korea Agreements
Four Agreements	<ul style="list-style-type: none"> • Agreement on Investment Protection between the South and the North • Agreement on Avoidance of Double Taxation on Income between the South and the North • Agreement on Procedures for Resolution of Commercial Disputes between the South and the North • Agreement on Clearing Settlement between the South and the North
KIZ Agreements	<ul style="list-style-type: none"> • Agreement on Communications for Kaesong Industrial Zone • Agreement on Customs Clearance for Kaesong Industrial Zone • Agreement on Quarantine for Kaesong Industrial Zone • Agreement on Entry into, Exit from, and Stay in Kaesong Industrial Zone and Kungangsan Tourist Zone
Other Agreements	<ul style="list-style-type: none"> • Agreement on Procedures for Verification of the Place of Origin of Goods Traded between the South and the North • Agreement on Formation and Operation of Inter-Korean Commercial Arbitration Committee • Framework Agreement on Motor Vehicle Operation between the South and the North • Framework Agreement on Train Operation between the South and the North • Agreement on Military Guarantees for Passage, Communication and Customs Clearance in the Joint Administration Area in the East and West Seas

2. Legal Framework of South

A. KIZ Support Act

The KIZ Support Act was enacted as of May 25, 2007 and put into effect on and from August 26, 2007.

The KIZ Support Act permits the KIZ to enjoy such infrastructure and financial supports as those available to a local industrial complex and a local corporation established in the KIZ to enjoy corporate supports available under the South's law. Consequently, local enterprises established in the KIZ are now permitted to enjoy financial, facility or technical supports from the Small & Medium Enterprises Structural Sophistication Funds, the Environmental Preservation Funds, and the Energy Use Rationalization Funds. Any investor making an investment in the KIZ is now permitted to enjoy the same tax benefits as a local investor, subject to the Restriction of Special Taxation Act. Workers from the South employed by such local enterprises are now entitled to the protection of four major social insurances, including the national health insurance, the national pension plan, the unemployment insurance, and the employment injury insurance and of the Labor Standards Act and other labor-related law.

On the other hand, the KIZ Support Act provides for the possibility of simplifying procedures for exchanges and trades between the South and the North in light of the extraordinary nature of the KIZ project.

B. Inter-Korea Exchange and Cooperation Act and Inter-Korean Cooperation Fund Act

The Inter-Korea Exchange and Cooperation Act, enacted as of August 1, 1990, sets forth general matters related to economic cooperation between two Koreas and includes some processes and

procedures applicable to the KIZ project. More specifically, the Inter-Korea Exchange and Cooperation Act contains provisions related to the procedures for trade and exchanges, the approval of transportation of goods into or out of the South, and the approval of cooperative projects and serves as ground for the installation of the Inter-Korea Exchange and Cooperation Promotion Council. With respect to investment in either side, transportation into or out of the South and other cooperative projects and economic trade, the Inter-Korea Exchange and Cooperation Act refers to about 20 acts, including the Foreign Exchange Transactions Act and the Customs Act, for application *mutatis mutandis*.

Based on the Inter-Korea Exchange and Cooperation Act, a variety of subordinate regulations, including the Notification on Goods and Vehicles to and from the KIZ and the Guideline on Foreign Exchange regarding Investment in the North, were enacted to set forth details of the inter-Korea investment and customs clearance. On the other hand, the Inter-Korean Cooperation Fund Act sets forth the matters related to the establishment, operation and management of the Inter-Korea Cooperation Fund, out of which loans are provided to residents of the South, including corporations and other entities, which carry out inter-Korea trades or other economic cooperative projects.

C. KIZ Working Rules

As of the end of December of 2009, a total of 46 working rules are enacted and operated by the KIZ management authorities, which govern areas mainly of the registration and execution of real estates, the establishment and operation of enterprise and the cadastral survey and building.

Area	KIZ Working Rules	
Incorporation /Real Estate	<ul style="list-style-type: none"> • Corporation Establishment & Operation Rule • Real Estate Execution Rule • Land Planning & Use Rule 	<ul style="list-style-type: none"> • Real Estate Registration Rule • Cadastral Rule • Infrastructure Facility Management Rule
Building	<ul style="list-style-type: none"> • Building Rule • Detailed Guideline on Building Structure • Detailed Guideline on Evacuation & Fire Fighting Structure, Etc. of Buildings • Detailed Guideline on Selection of Builders in the KIZ 	<ul style="list-style-type: none"> • Detailed Guideline on Building • Detailed Guideline on Facilities in Buildings • Detailed Guideline on Preparation of Design Drawings and Documents • Detailed Guideline on Cost Sharing for Waste Water Treatment Facilities
Safety Management	<ul style="list-style-type: none"> • Gas Safety Management Rule • Labor Safety Rule • Electricity Safety Management Rule 	<ul style="list-style-type: none"> • Construction Safety Management Rule • Fire Fighting Rule
Public Health Sanitation Environment	<ul style="list-style-type: none"> • Air Environment Management Rule • Water Quality-Environment Management Rule • Wastes Management Rule • Noise-Vibration Management Rule 	<ul style="list-style-type: none"> • Food Sanitation and Infectious Disease Prevention Rule • Detailed Guideline on Cleaning & Sanitation Management, Etc of Waterworks • Park & Green Zone Management Rule
Foreign Currency Management Advertisement Automobiles	<ul style="list-style-type: none"> • Foreign Currency Management Rule • Detailed Guideline on Outdoor Advertising Materials • Detailed Guideline on Automobile Registration Numbers, Plates and Sealing 	<ul style="list-style-type: none"> • Advertisement Rule • Automobile Registration Rule
General Management	<ul style="list-style-type: none"> • Rule on Organization and Operation of Meeting of Enterprise Representatives • Fee Collection Rule • Parking Lot Management Rule • Rule Enactment, Revision and Promulgation Rule 	<ul style="list-style-type: none"> • Oil Sale Business Rule • Key Materials Management Rule • Statistical Data Rule • Administrative procedure & Operation Rule
Corporate Accounting Audit	<ul style="list-style-type: none"> • Financial Accounting Standards • Audit Rule 	<ul style="list-style-type: none"> • Appraisal Standards • Audit Standards
Pass	<ul style="list-style-type: none"> • Pass Issuance Rule 	
Sale in lots	<ul style="list-style-type: none"> • Building Sale-in-Lots Rule 	<ul style="list-style-type: none"> • Trust Rule

3. Legal Framework of North

The laws and regulations of the North applicable to the KIZ include the KIZ Act, the KIZ Regulations, and detailed rules established by the KIZ guidance organ.

A. KIZ Act

The framework act governing matters related to the KIZ is the KIZ Act, enacted by the Presidium of the Supreme People's Assembly as of November 20, 2002. Under the KIZ Act, the KIZ may include not only industrial areas but also commercial, financial, and tourist areas and induce investments not only from citizens of the South and overseas Koreans, but also from foreign corporations, foreign individuals and foreign economic organizations.

Any economic activities within the KIZ must be conducted in accordance with the KIZ Act and KIZ Regulations, and any matters not contained in the KIZ Act and KIZ Regulations must be in principle determined as agreed among the central KIZ guidance organ and KIZ management organs.

According to the KIZ Act and KIZ Regulations, the investor's rights and interests are to be protected, and the investor's assets are not to be nationalized. Any business in the KIZ is to be operated by the KIZ management organs under the guidance of the central industrial zone guidance organ.

B. KIZ Regulations and Detailed Rules

Since the Development Regulations for Kaesong Industrial Zone were first enacted on April 24, 2003 by Decision No. 102 of the Presidium of the Supreme People's Assembly, as of the end of December of 2009, a total of 16 KIZ Regulations have been enacted to reinforce the framework act, the KIZ Act.

Regulations under the KIZ Act		
<ul style="list-style-type: none"> · Development Regulations · Environmental Protection Regulations · Labor Regulations · Customs Regulations · Insurance Regulations · Accounting Regulations 	<ul style="list-style-type: none"> · Audit Regulations · Regulations on Establishment and Operation of Enterprise · Real Estate Regulations · Regulations on Management of Foreign Currency · Regulations on Establishment & Operation of the Management Organ 	<ul style="list-style-type: none"> · Tax Regulations · Regulations on Entry and Exit, Stay and Residence · Advertising Regulations · Automobile Management Regulations · Regulations on the Financial Management of Enterprises

In addition, the KIZ Act authorizes the central industrial zone guidance organ to establish detailed rules under the KIZ Act and the KIZ Regulations. Considering that the KIZ is managed under inter-Korea cooperation, each detailed regulation is enacted through agreement between the South and the North.



Kaesong Industrial Zone Support Act and Its Enforcement Decree

- **Kaesong Industrial Zone Support Act.....13**
- **Enforcement Decree of Kaesong Industrial Zone Support Act.....28**

Kaesong Industrial Zone Support Act

[Enforcement on November 22, 2009]

[Amended by Act No. 9685, Other Acts Amended on November 20, 2009]¹⁾

Chapter I General Provisions

Article 1 (Purpose)

The purpose of this Act is to enhance the inter-Korean exchanges and cooperation and further to contribute to the balanced development of the economy of the Korean nation by providing the necessary matters to support the development and operation of the Kaesong Industrial Zone (the "KIZ") and the protection and support of the South Korean residents (including juristic persons, hereinafter the same shall apply) making investments in, entering, exiting from, or staying in the KIZ.

Article 2 (Definitions)

As used in this Act:

1. The term "KIZ" means any industrial zone developed and established in the area of Kaesong located in the North, in accordance with the agreement between the South and North Korea;
2. The term "KIZ developer" means any South Korean resident designated as a developer pursuant to the Kaesong Industrial

1) Translator's Note : This act is South Korean law and therefore the government entities, laws referred herein are those of South Korea except when provided in other way.

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- Zone Act of North Korea, with the approval for a cooperative project under the Inter-Korea Exchange and Cooperation Act;
3. The term "KIZ management organ" means any juristic person established under the Kaesong Industrial Zone Act of North Korea for the purpose of management and operation of the KIZ;
 4. The term "local enterprise of the KIZ" means any enterprise established by a South Korean resident in the KIZ with the approval of a cooperative project or after the receipt of the report on such cooperative project under the Inter-Korea Exchange and Cooperation Act, including its branch offices, places of business, and offices;
 5. The term "Entry and Exit" or "Stay" shall have the same meaning as in the Agreement on Entry into, Exit from and Stay in the KIZ and the Kumgangsan Tourist Zone; and
 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 implement its policies for fostering and developing the KIZ into an international-level industrial zone and further shall put in place necessary support measures for the same.
- ② The Government shall create the conditions necessary to ensure that the development of the KIZ and the business operations of the enterprises in the KIZ can be carried out in a consistent manner on the basis of the economic principles and the autonomy of such enterprises and shall also endeavor to support such development and business operations.
- ③ In developing the KIZ, the Government shall establish and

establish its policies for enhancing the welfare and industrial safety of the South and North Korean residents and shall also provide support so that it can be created as an environment-friendly industrial zone.

④ The Government shall endeavor to ensure that inter-Korean economic exchanges and cooperation in the KIZ can be established and grow on the basis of the principle and practice of inter-Korean domestic transaction and that such inter-Korean economic exchanges and cooperation can be widely recognized by the international society.

⑤ Where it is deemed necessary for the development of the KIZ, 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 Council for Development and Support of KIZ)

① In order to discuss and coordinate the matters related to the development and support of the KIZ, a Council for the Development and Support of the KIZ (hereinafter referred to as the "Council") shall be established in the Ministry of Unification. The 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 number of membership shall not exceed 20 persons, including the chairman.

③ Any matters relating to the duties, organization and operation of the Council shall be set forth in the Presidential Decree.

Article 5 (Relations to Other Acts)

This Act shall apply with priority over other laws with respect

to matters concerning the support for, the entry into and exit from, and the trade with the KIZ.

Chapter II Support of Development and Investment

Article 6 (Support for Development of KIZ)

- ① The Government may take any measures necessary for granting financial support for the smooth establishment and operation of the KIZ.
- ② The Government or the providers of relevant facilities pursuant to Article 29, Paragraph 1 of the Industrial Sites and Development Act shall have priority over other providers in providing supports for infrastructure such as roads, water supply, railways, telecommunications and electricity necessary for the smooth establishment of the KIZ; provided, however, that, regarding such infrastructure provided by the Government, the Government may commission KIZ developer to provide such infrastructure.
- ③ In relation to the support as prescribed in Paragraphs 1 and 2 above, the Government may bear any and all expenses, provide facilities and financial support in accordance with the proviso to Article 28, Paragraph 1, Articles 29 and 46 of the Industrial Sites and Development Act. In such case, the KIZ shall be deemed to be a state-run industrial complex as prescribed in Article 2, subparagraph 5, Item (a) of the Industrial Sites and Development Act.
- ④ The Minister of Unification may cause a person engaging in a business other than that of developing industrial complexes as provided in Article 2, Paragraph 6 of the Industrial Sites and Development Act to pay, as a contribution to public facilities, the expenses that have been paid by the Government for the construction of the infrastructure referred to in Paragraph 2 above.

⑤ The Minister of Unification shall determine major issues regarding the content of the 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 "IKECPC") as prescribed in Article 4 of the Inter-Korea Exchange and Cooperation Act.

⑥ Any matters necessary for the provision of support, payment of the facility contribution charges, and deliberation and resolution by the IKECPC pursuant to Paragraphs 1 through 5 above shall be set forth in the Presidential Decree.

Article 7 (Support for Small & Medium Enterprises Structural Sophistication Funds)

① The Government may provide local enterprises of the KIZ with the "small & medium enterprises structural sophistication funds" for projects prescribed in Article 67, Paragraph 2 of the Promotion of Small and Medium Enterprises Act.

② Any matters necessary for the use of funds pursuant to Paragraph 1 above shall be set forth in the Presidential Decree.

Article 8 (Support for Industrial Safety & Health and Prevention of Industrial Accidents) (Amended on December 31, 2008)

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

② In providing the support indicated in Paragraph 1 above, part of the powers and duties of the Korea Occupational Safety & Health Agency may be entrusted to the KIZ management organ.

Article 9 (Support for Environmental Protection)

① For the purpose of environmental protection of the KIZ, the Government may provide local enterprises of the KIZ with administrative and financial support under Articles 34 and 35 of the Framework Act on Environmental Policy. In such case, local enterprises of the KIZ shall be deemed to be business operators 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 Korea Environmental Corporation or other organizations carry out any of such projects as prescribed in Article 17, Paragraph 1 of the Korea Environmental Corporation Act <Amended on February 6, 2009>.

Article 10 (Support for Energy Rationalization)

① The Government may provide local enterprises of the KIZ with the 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 Any matters necessary for the provision of the support described in Paragraph 1 above shall be set forth in the Presidential Decree.

Article 11 (Support or Lending of Inter-Korean Cooperation Fund)

The Government may grant or lend to local enterprises of the KIZ the Inter-Korean Cooperation Funds under the Inter-Korean Cooperation Fund Act.

Article 12 (Application of Other Governmental Support Systems)

In addition to the business support under this Act, other business support systems designed for development of workforce and technology, educational training, management innovation and

stabilization, export promotion, etc. under other laws may be applied to the KIZ as prescribed in the Presidential Decree.

Chapter III Protection of Those Entering, Exiting and Staying in the KIZ

Article 13 (Application of Acts Regarding Social Insurance)

① The following acts shall apply to local enterprises of the KIZ and South Korean residents employed by them (excluding any juristic persons; hereinafter referred to as "Workers from the South Korea"):

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

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

③ In applying the acts listed in Paragraph 1 above, Workers from the South Korea working or staying in the KIZ shall be deemed to be working or staying in the South Korea.

④ In applying the acts 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 KIZ management organ in accordance with the provisions of the Presidential Decree.

⑤ Any other matters necessary for applying the acts listed in Paragraph 1 above shall be provided in the Presidential Decree.

Article 14 (Medical Care Institutions, etc.)

- ① In the event that a person falling within any of the categories set forth in Article 33, Paragraph 2 of the Medical Service Act has established a medical care facility mainly for the South Koreans in the KIZ with the approval of a cooperative project under the Inter-Korea Exchange and Cooperation Act, such medical care facility shall be deemed to be a medical care institution defined in Article 3 of the Medical Service Act and also a nursing care institution under Article 40 of the National Health Insurance Act.
- ② In the event that a resident of the South Korea entering, exiting from or staying in the KIZ receives any medical service from a medical care facility under Paragraph 1 above, such South Korean resident shall receive medical care benefits as prescribed in Article 39 of the National Health Insurance Act.
- ③ Any medical care institution established pursuant to Paragraph 1 above shall pay medical care benefits under Article 7 of the Medical Care Assistance Act to those entitled to such medical care benefits under Article 3 of the Medical Care Assistance Act among the South Koreans who enter, exit from or stay in the KIZ.
- ④ Any matters necessary for the approval of cooperative projects, recognition of medical care institutions and nursing care institutions, and payment of nursing care medical care benefits pursuant to Paragraphs 1 through 3 above shall be provided in the Presidential Decree.

Article 15 (Application of Acts related to Working Conditions)

- ① The following acts shall apply to local enterprises of the KIZ and their Workers from the South:
1. Labor Standards Act;
 2. Minimum Wages Act;
 3. Employees' Retirement Benefit Guarantee Act;

4. Wage Claim Guarantee Act; and

5. Trade Union and Labor Relations Adjustment Act.

② In applying the acts 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 KIZ management organ in accordance with the provisions of the Presidential Decree.

③ Any other matters necessary for applying the acts 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)

Where deemed necessary in order to encourage investment in the KIZ, the Government may grant the South Korean residents making investments in the KIZ a reduction or exemption of taxes in accordance with the relevant provisions of the Restriction of Special Taxation 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 mutatis mutandis to the goods being traded in the KIZ and the vehicles entering to and exiting from the KIZ. Notwithstanding the foregoing, however, the Government may provide for special cases to simplify the procedures for such travel and trade based on the principle of inter-Korean domestic transaction.

② In applying the provisions of Article 9, Paragraph 3 of the Inter-Korea Exchange and Cooperation Act to a person who has obtained a certificate of multiple visits as prescribed in Article 9, Paragraph 2 of the Inter-Korea Exchange and Cooperation Act for

visits to and from the KIZ, the Government may provide for special cases where exemption from visit approval process may be granted.

③ In order to simplify the procedures for entering and exiting inspection on the South Korean residents entering into and exiting from the KIZ, the Government may provide for special cases concerning Article 11 of the Inter-Korea Exchange and Cooperation Act.

④ The scope and criteria for the application of special cases for the simplification of the regulations mentioned in Paragraphs 1 through 3 above shall be provided in the Presidential Decree.

⑤ Any detailed matters relating to implementation of the special cases concerning simplification pursuant to Paragraph 1 or 3 above shall be set forth by the Minister of Justice or the Commissioner of the Korea Customs Service through deliberation and resolution by the IKECPC.

Chapter V KIZ Management Organ, etc.

Article 18 (KIZ Management Organ)

① The KIZ management organ shall have the corporate power and authority to act to the extent necessary for the management and operation of the KIZ.

② The Government may provide the KIZ management organ with funds, personnel, materials, etc. whenever necessary for the operation and management of the KIZ.

③ The KIZ management organ may establish and maintain an office in the South.

Article 19 (KIZ Support Foundation)

① The Government shall establish a KIZ Support Foundation

(hereinafter referred to as the “Foundation”) in order to support the development and operation of the KIZ.

② The Foundation shall be a juristic person and shall 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. Establishment and implementation of support measures for the development of the KIZ;
2. Provision of support, guidance and supervision to the KIZ management organ;
3. Establishment and implementation of support measures for local enterprises of the KIZ;
4. Issuance of various certificates and dealing with civil petitions on behalf of the KIZ management organ; and
5. Carrying out other works designated by the Minister of Unification

④ The operation of the Foundation shall be financed by the funds listed below. Notwithstanding the provisions of the State Properties Act, the Government may gratuitously transfer or lease state-owned properties in accordance with the relevant provisions of the Presidential Decree if necessary to conduct the business activities enumerated in Paragraph 3 above.

1. The Government’s contributions or subsidies;
2. Borrowings;
3. Profits generated from business operations; and
4. Other income.

⑤ If the Foundation is dissolved, its remaining property shall revert to the Government in accordance with the provisions of its articles of incorporation.

⑥ Except as otherwise provided in this Act, the provisions of the Civil Code pertaining to incorporated foundations shall apply mutatis

mutandis to the Foundation.

⑦ Any other matters necessary for the establishment, composition and operation of the Foundation shall be provided in the Presidential Decree.

Article 20 (Dispatch of Public Officials, etc.)

① If deemed necessary in order to support the development, management and operation of the KIZ and to promote the inter-Korean economic cooperation, the Government may dispatch public officials or other persons to the North Korea for a given period so as to serve in the KIZ management organ or otherwise.

② The Government may provide financial support necessary for Paragraph 1 above.

③ The dispatch of public officials under Paragraph 1 above shall be in accordance with the Inter-Korea Relations Promotion Act, while the required matters in relation to the dispatch of other persons shall be provided in the Presidential Decree.

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

① (Enforcement Date) This Act shall enter into force three months after the date of its promulgation.

② (Liquidation of the KIZ Support Association) The KIZ Support Association, established as a corporation prior to the enforcement date of this Act, shall be liquidated upon enforcement of this Act and the rights and obligations of the liquidated entity shall be comprehensively succeeded by the KIZ Support Foundation under Article 19 hereof.

Addenda (The Korea Occupational Safety & Health Agency Act) <No.9319, December 31, 2008>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of the promulgation hereof.

Articles 2 to 4 (Omitted)

Article 5 (Amendment of Other Acts)

① Omitted

② Some provisions of the Kaesong Industrial Zone Support Act shall be amended as follows:

The term "Industrial Safety" in the title of Article 8 is changed to be "Industrial Safety & Health." In Article 8, Paragraph 1 of the "Korea Occupational Safety Agency Act" is modified to be the "Korea Occupational Safety & Health Agency Act," and the term "Industrial Safety" to be "Industrial Safety and Health," respectively. In Article 8, Paragraph 2, the term "Korea Occupational Safety Agency" is changed to be the "Korea Occupational Safety & Health Agency."

③ to ⑥ omitted

Article 6 (Omitted)

Addenda (the Inter-Korea Exchange and Cooperation Act) <No. 9357, January 30, 2009>

Article 1 (Enforcement Date)

This Act shall enter into force on the date falling six months after the date of promulgation thereof.

Articles 2 to 3 (Omitted)

Article 4 (Amendment of Other Acts)

① Some provisions of the Kaesong Industrial Zone Support Act shall be amended as follows:

In Article 2, Paragraph 4, the phrase “with the approval of a cooperative project” is modified to be “with the approval of a cooperative project or upon the receipt of report.”

In Article 17, Paragraph 2, “In applying the provisions of Article 9, Paragraph 3 of the Inter-Korea Exchange and Cooperation Act to a person who has obtained a certificate of multiple visits…from visit reporting requirements” is changed to “In applying the provisions of Article 9, Paragraph 3 of the Inter-Korea Exchange and Cooperation Act to a person who has obtained a certificate of multiple visits…from visit approval process.”

② Omitted

**Addenda (the Inter-Korea Exchange and Cooperation Act)
<No. 9433, dated February 6, 2009>**

Article 1 (Enforcement Date)

This Act shall enter into force on January 1 2010.

Articles 2 to 9 (Omitted)

Article 10 (Amendment of Other Acts)

① through ⑦ omitted

⑧ Some provisions of the Kaesong Industrial Zone Support Act are amended as follows:

In Article 9, Paragraph 2, the term “Environmental Management Corporation” shall be amended to be the “Korea Environmental

Corporation,” and “Article 16, Paragraph 1 of the Environmental Management Corporation Act” to be “Article 17, Paragraph 1 of the Korea Environmental Corporation Act.”

⑨ and ⑩ omitted

Article 11 (Omitted)

Addenda (Facilitation of Purchase of Small and Medium Enterprise-Manufactured Products and Support for Sales Outlet Act) <No.9685, May 21, 2009>

Article 1 (Enforcement Date)

This Act shall enter into force on the date falling six months after the date of promulgation hereof.

Articles 2 to 6 (Omitted)

Article 7 (Amendment of Other Acts)

① Some provisions of the Kaesong Industrial Zone Support Act shall be amended as follows:

In Article 7, Paragraph 1, the term “the Promotion of Small and Medium Enterprises and Encouragement of Purchase of Their Products Act” shall be changed to be the “Promotion of Small and Medium Enterprises Act.”

② to <37> omitted

Article 8 (Omitted)

Enforcement Decree of Kaesong Industrial Zone Support Act

[Enforcement on November 22, 2009]
[Presidential Decree No. 21835, Other Acts Amended on November 20, 2009]

Chapter I General Provisions

Article 1 (Purpose)

The purpose of this Decree is to prescribe matters delegated by the Kaesong Industrial Zone (KIZ) Support Act and those necessary matters for the enforcement thereof.

Article 2 (Duties of Council for Development and Support of KIZ)

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

1. Any significant matters regarding the basic development plan for the KIZ, prepared by the developers of the KIZ;
2. Any significant matters related to the support of the local enterprise(s) of the KIZ and the construction of infrastructure facilities;
3. Any significant matters requiring discussion and/or coordination among the relevant departments concerned with the matters mentioned in Paragraphs 1 and 2 above; and
4. Any other matters presented by the chairperson of the Council for deliberation at a meeting of the Council.

Article 3 (Composition of Council)

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

1. Government officials each of who is designated respectively by the heads of the following departments or agencies out of those included in the Senior Executive Service of such departments or agencies: the Ministry of Strategy and Finance, Ministry of Unification, Ministry of Knowledge and Economy, Ministry of Health, Welfare and Family Affairs, Ministry of Environment, Ministry of Labor, Ministry of Land, Transport and Maritime Affairs, National Intelligence Service, Prime Minister's Office, Korea Customs Service and Small Business Administration; and
2. Those with professional knowledge and experience in inter-Korean relations and the KIZ.

② In the event that the chairperson of the Council (hereinafter referred to as the "Chairperson") will be unable to perform the Chairperson's duties for unavoidable reasons, another member of the Council designated in advance by the Chairperson for such purpose shall act on his/her behalf.

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

④ The term of office of the Council members appointed or nominated hereunder shall be one (1) year and they may be re-appointed or re-nominated at the end of each term.

Article 4 (Operation of Council)

① Any meeting of the Council shall be called by the Chairperson.

② The Chairperson may have relevant government officials or experts attend and provide professional opinions at the Council's meeting, where the Chairperson deems it necessary to do so in

order for the Council to carry out its activities.

③ Allowances and travel expenses may be paid [by the Council], within the budgetary limit, to those persons indicated in Article 3, Paragraph 2, Sub-paragraph 2 hereof who attended the Council meeting and also those persons who attended and expressed their opinions at the Council's meeting at the request of Chairperson.

④ Any other necessary matters regarding the operation of the Council shall be provided in a decree of the Ministry of Unification.

Chapter II Support of Development and Investment

Article 5 (Financial Support)

The Government may provide financial support for the followings pursuant to Article 6, Paragraph 1 of the Act:

1. Construction costs for building water supply facilities;
2. Construction costs for building sewerage and wastewater terminal treatment facilities, etc; and
3. Any other costs and expenses to be determined by the Minister of Unification incurred for facilitating the creation and operation of the KIZ.

Article 6 (Support to Construction of Infrastructure)

① The Government or providers of infrastructure facilities shall have priority over other providers pursuant to Article 6, Paragraph 2 of the Act in supporting the following infrastructure facilities:

1. Roads and railroads;
2. Water supply facilities, electricity & telecommunication facilities and gas facilities;
3. Sewerage and wastewater terminal treatment facilities, and waste disposal facilities;

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4. Common conduits in the KIZ;
 5. Integrated energy supply facilities; and
 6. Any other necessary public facilities for developing the KIZ, as prescribed by the Minister of Unification.
- ② Korea Electric Power Corporation shall, in advance, construct the electric facilities required for the roads specified in the KIZ development plan with an approval of a cooperative project from the Minister of Unification pursuant to Article 17 of the Inter-Korea Exchange and Cooperation Act.
 - ③ The Government may provide financial support to the suppliers of such facilities as mentioned in Paragraph 1 above.

Article 7 (Procedures for Support)

The procedures prescribed in the Inter-Korean Cooperation Fund Act shall apply where any support under Articles 5 and 6 hereof is provided by the Government using the Inter-Korean Cooperation Funds.

Article 8 (Prior Consultation)

The Minister of Land, Transport and Maritime Affairs shall consult with the Minister of Unification and the Minister of Strategy and Finance in accordance with Article 6, Paragraph 3 of the Act prior to bearing any cost and expenses pursuant to the proviso to Article 28, Paragraph 1 of the Industrial Sites and Development Act or providing any facilities or funds under Articles 29 and 46 of the Industrial Sites and Development Act.

Article 9 (Investment Support)

① Pursuant to Article 12 of the Act, the Government may provide the local enterprises of the KIZ with the support prescribed by the following Acts:

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1. Framework Act on the Promotion of Cultural Industries;
 2. Act on Special Measures for the Promotion of Venture Businesses;
 3. Act on Special Measures for Support to Small Enterprises and Small Commercial and Industrial Businessmen;
 4. Act on Support for Female-Owned Businesses;
 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. Special Act on the Promotion of Business Conversion by Small and Medium Enterprises;
 10. Special Act on Support of the Workforce of Small and Medium Enterprises;
 11. Act on Promotion of Small and Medium Enterprises
 12. Support for Small and Medium Enterprise Incorporation Act;
 13. Small and Medium Enterprise Cooperative Act;
 14. Regional Credit Guarantee Foundation Act.

② The Government shall ensure that the support for the local enterprises of the KIZ under Paragraph 1 above and also under Articles 7 through 10 of the Act will be provided based on criteria that are substantially the same as the criteria used for providing support for the companies located in the ROK.

③ The support indicated in Paragraph 2 above may, depending upon the circumstances of the KIZ, be provided, if necessary, through a South Korean Resident who has established a local enterprise of the KIZ with an approval of a cooperative project recognized under Article 17 of the Inter-Korea Exchange and Cooperation Act or after the receipt of the report on such cooperative project under Article 17-2 therein.

Chapter III Protection of Those Entering, Exiting and Staying

Article 10 (Establishment and Operation of Branch Offices)

① For the purposes of applying the Sub-paragraphs of Article 13, Paragraph 1 and Article 15, Paragraph 1, Sub-paragraph 4 of the Act, the National Pension Service, National Health Insurance Corporation and Korea Labor Welfare Corporation may establish branch offices in the KIZ under the National Pension Act, National Health Insurance Act and Industrial Accident Compensation Insurance Act, respectively.

② In the event branch offices are established in the KIZ pursuant to Paragraph 1 above, the organizations mentioned in Paragraph 1 above may jointly establish and operate their branch office(s). In this case, the matters relating to the establishment and operation of such a joint branch office shall be determined by the Minister of Unification, the Minister of Health, Welfare and Family Affairs, and the Minister of Labor through mutual consultation.

③ Where no branch office is established in the KIZ, each of the organizations mentioned in Paragraph 1 above may conduct their business activities through its branch office having jurisdiction over the area bordering the North ("Border Area", which means Dorasan-ri, Jangdan-myeon, Paju, Gyeonggi-do)

Article 11 (Jurisdiction)

① The Health Insurance Review & Assessment Service's works related to application of the provisions of Article 13, Paragraph 1, Sub-paragraph 2 of the Act shall be performed by the head of its branch office having jurisdiction over the Border Area.

② The works prescribed by the Minister of Labor from among the works of the heads of the Employment Security Offices related

to application of the provisions of Article 13, Paragraph 1, Sub-paragraph 3 of the Act shall be performed by the head of its branch office having jurisdiction over the Border Area.

③ The powers granted to or duties imposed on special/ metropolitan city mayors, governors of ordinary/special autonomous provinces or mayors, county chiefs, ward chiefs (which refers to the chiefs of autonomous wards) 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 care facilities pursuant to Article 13, Paragraph 1, Sub-paragraph 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, Paragraph 1 of the Act, the following powers related to the local enterprises of the KIZ and the Workers from the South Korea 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 same Act;
2. Powers delegated to the chief of the relevant regional labor office pursuant to Article 26-2 of the Minimum Wages Act and Article 21, Paragraph 2 of the Enforcement Decree of the same 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 same 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 same 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 same Act.

⑤ In applying each Sub-paragraph under Article 15, Paragraph 1 of the Act, the following powers or duties related to the local enterprises of the KIZ and the Workers from the South Korea in the KIZ shall be exercised or performed by the relevant office of the 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, Paragraph 1 of the Act, the following powers related to the local enterprises of the KIZ and the Workers from the South Korea working in the KIZ shall be exercised by the relevant Labor Inspector having jurisdiction over the Border Area:

1. Powers of a labor supervisor under Article 102 of the Labor 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, Paragraph 1, Sub-paragraph 5 of the Act, the respective officials in the following designations shall be deemed to be the competent administrative agencies under the Trade Union and Labor Relations Adjustment Act:

1. For trade unions and unit labor unions of the following: the Minister of Labor
 - A. A trade union being an association of labor unions; and

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- B. A unit labor union organized across the KIZ and other special/metropolitan cities, provinces/special autonomous provinces.
 2. For a unit labor union organized across the KIZ and other cities/counties/wards (referring to autonomous wards): the Governor of Gyeonggi Province.
 3. For a unit labor union organized in the KIZ: the Mayor of Paju City.

Article 12 (Other Matters Relating to Application)

- ① In applying the respective Sub-paragraphs of Article 13, Paragraph 1 and of Article 15, Paragraph 1 of the Act, the number of full-time workers shall be calculated solely on the basis of the Workers from the South Korea. The foregoing provision shall also apply to the calculation of their payroll.
- ② In the event that the employer of a local enterprise of the KIZ, which is subject to any of the Sub-paragraphs of Article 13, Paragraph 1 and of Article 15, Paragraph 1 of the Act, fails to fulfill any of his/her obligations under the aforesaid provisions of the Act, the Minister for Health, Welfare and Family Affairs or the Minister of Labor may request the Minister of Unification to take the necessary measures against the relevant South Korean Residents having invested in the local enterprise, including an “order for adjustment of cooperative project” under Act 18 of the Inter-Korea Exchange and Cooperation Act.
- ③ If a person who established a medical institution in the KIZ in accordance Article 14 of the Act has failed 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 determined and published by the Minister of Health, Welfare and Family Affairs or the Minister of Labor.

Chapter IV Special Cases Concerning Taxes, Travel and Trade

Article 13 (Application for Registration of Vehicle)

A person who wishes to pass through the area between the South Korea and the KIZ, using a road vehicle, shall submit an application for passing vehicle registration to the head of the border area 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, Paragraph 1, Sub-paragraph 2 of the Enforcement Decree of the Inter-Korea Exchange and Cooperation Act). However, if, with respect to the matters required for registration of passing vehicle, the chief of the Border Area Customs Office can confirm through the computerized system an approval on the operation of transportation equipment in accordance with Article 20 of the Inter-Korea Exchange and Cooperation Act, the application for the said approval on the operation of transportation equipment shall be deemed to be an application for passing vehicle registration.

Article 14 (Issuance of Certificate of Passing Vehicle)

- ① When receiving an application for passing vehicle registration, the chief of the border area customs office shall issue a certificate of passing vehicle in accordance with the provisions prescribed by the Commissioner of the Korea Customs Service.
- ② The certificate of passing vehicle 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 certificate of passing vehicle, including the procedure for issuance and validity term, 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 wishes to enter or exit the KIZ using a road vehicle shall present the certificate of passing vehicle to the customs officer for confirmation of his/her entry or exit when entering or exiting the KIZ.

② If a certificate of passing vehicle has been issued in the form of an electronic card, etc. pursuant to Article 14, Paragraph 2 of the Act, 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 which went through the procedure for confirmation of entry and exit pursuant to Paragraph 2 above, part 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 Report and Inspection of Goods Being Transported)

① A person intending to transport any goods into or out of the KIZ shall file a report with the chief of the competent customs office 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 which have been designated by the Commissioner of the Korea Customs Service as those requiring submission of additional documents, 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, the 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 KIZ.

④ Pursuant to the provisions of Article 17, Paragraph 1 of the Act, the chief of the competent customs office may selectively inspect the goods being transported into or out of the KIZ.

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 publish 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 Paragraphs 2 and 3 above, as

applicable, and the criteria for the selective inspection under Paragraph 4 above.

Article 17 (Exemption from Filing Visit Report)

Pursuant to Article 17, Paragraph 2 of the Act, a South Korean Resident entering or exiting the KIZ who holds a certificate of multiple visits duly issued may be granted exemption by Minister of Unification from the obligation to file a visit report in relation to the approved period of visitation, to the extent that may be determined by Minister of Unification.

Article 18 (Review of Entry and Exit)

Pursuant to Article 17, Paragraph 3 of the Act, the South Korean Residents entering or exiting from the KIZ shall be exempt from submission of an entry or exit report required under Article 21 of the Enforcement Decree of the Inter-Korea Exchange and Cooperation Act. Notwithstanding the foregoing, such entry or exit report must be submitted if there exist such circumstances as those designated and published by the Minister of Justice, including a failure of the computerized system.

Chapter V KIZ Management Organ

Article 19 (Support for KIZ Management Organ)

Where the head of any administrative agency intends to provide funds, personnel or materials to the KIZ management organ pursuant to Article 18, Paragraph 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 to the KIZ management organ involves any financial expenditure, the head of such administrative agency shall also consult with the

Minister of Strategy and Finance in advance.

Article 20 (Articles of Incorporation)

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

1. Purpose of the organization;
2. Name;
3. Principal place of business and branch offices;
4. Names and addresses of officers and employees;
5. Information regarding the board of directors;
6. Information regarding assets and accounting;
7. Information regarding the budget and the settlement of accounts;
8. Amendment to the Articles of Incorporation;
9. Establishment, revision and repeal of by-laws; and
10. Matters relating to public notice.

② In order to amend its Articles of Incorporation, the Foundation shall obtain authorization from the Minister of Unification.

Article 21 (Matters to be included in Registration of Incorporation)

The registration of incorporation under Article 19, Paragraph 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; and
5. Method of public notice.

Article 22 (Officers)

① The Foundation shall not have more than nine (9) directors

including one (1) President, and also one (1) auditor.

- ② The President, up to three directors not calculating the President, and the auditor shall be appointed on a full-time basis.
- ③ The President shall be appointed by the Minister of Unification.
- ④ The directors and auditor shall be appointed by the Minister of Unification on the recommendation of the President.
- ⑤ The term of office of the President shall be three (3) years and that of a director and an auditor shall each be two (2) years. Each may be reappointed to one year terms after their initial 3 or 2 year term.
- ⑥ The total number of directors and that of full-time directors shall be provided in the Articles of Incorporation.

Article 23 (Duties of Officers)

- ① The President shall represent the Foundation, manage its overall business and also direct and supervise its employees.
- ② Standing directors shall be responsible for the assignment of duties within the Foundation as provided in the Articles of Incorporation and the standing director in order of priority prescribed in the Articles of Incorporation shall act as the President if the President is unable to perform his/her duties for unavoidable reasons.
- ③ The 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 The President shall call and preside over all Board of Directors' 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 The 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 or dismissed by the President in accordance with the relevant provisions of the articles of incorporation.

Article 26 (Gratuitous Transfer or Rent of State-owned Property)

① Gratuitous transfer or rent of any state-owned property under Article 19, Paragraph 4 of the Act shall be subject to the relevant agreement entered into between the authority having control over the property and the Foundation.

② If the state-owned property which is transferred or rent gratuitously under Paragraph 1 (hereinafter referred to as "Property") is used by the Foundation for any other purpose than that originally contemplated by the transfer or rent, the controlling authority may terminate or cancel such agreement for gratuitous transfer or rent.

Article 27 (Management of Property)

① The Minister of Unification shall ensure that the Property in the custody of the Foundation is duly and rightfully used and managed.

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 management of the Property or to provide the relevant data related thereto and, in addition, may cause the government officials of the Ministry of Unification to audit the status of management thereof or otherwise to take any other necessary measures.

④ In the event that the Property gratuitously rented to the Foundation is located in the KIZ and has been registered by the Foundation in its name in accordance with the relevant provisions of the North Korea's Kaesong Industrial Zone Act and KIZ Real Estate Regulations, it shall be deemed that measures have been duly taken by the controlling authority to preserve the Foundation's rights to the Property in accordance with Article 14 of the State Properties Act.

⑤ In addition to Paragraphs 1 through 4 above, any other necessary matters related to a gratuitous transfer or rent of Property shall be prescribed by a decree of the Ministry of Unification.

Article 28 (Request for Dispatch of Government Officials)

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 and Employees)

The Foundation may dispatch any of its officers and/or employees to the KIZ management organ 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)

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 operations for each fiscal year; and
3. Revenue 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 Paragraph 1, Sub-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.

Article 32 (Guidance and Supervision)

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 works, accounting and property or may cause its government officials to inspect any of the documents and articles owned by the Foundation.

③ Depending upon the result of such report or inspection pursuant to Paragraph 2 above, the Minister of Unification may require the Foundation to make a correction or modification or any other necessary measures if he/she deems it necessary.

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 the DPRK to work with the KIZ management organ 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 dispatched person belongs.

② If there arises a need for the Ministry of Unification to dispatch to the DPRK any non-government official(s) for the purposes of supporting the development, management and operation of the KIZ and promoting inter-Korean economic cooperation, the Minister of Unification may request the head of the relevant agency or organization to recommend person(s) to be dispatched, by specifying the description of the job, the number of people requested and the title of such person(s).

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

Article 1 (Enforcement Date)

This Decree shall enter into force on the date of its promulgation.

Article 2 (Preparation of Foundation' s Incorporation)

① The Minister of Unification shall nominate not more than five (5) persons as incorporating members to deal with affairs related to the incorporation of the Foundation, 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 approval.

③ Upon obtaining the approval as per Paragraph 2 above, the incorporating members shall, without delay, register the incorporation

of the Foundation with their joint signature.

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 have been duly handed over as provided in Paragraph 4 above.

Addenda (Ministry of Unification and Organization of its Affiliated Institutions) <No.20721, February 19, 2008>

Article 1 (Enforcement Date)

This Enforcement Decree shall enter into force on the date of the promulgation hereof.

Articles 2 and 3 (Omitted)

Article 4 (Amendment of Other Acts)

① Some provisions of the Enforcement Decree of the Kaesong Industrial Zone Support Act shall be amended as follows:

In Article 3, Paragraph 1, Item 1 hereof, the terms "the Ministry of Finance and Economy, Ministry of Unification, Ministry of Commerce, Industry and Energy, Ministry of Information and Communication, Ministry for Health and Welfare, Ministry of Environment, Ministry of Labor, Ministry of Construction and Transportation, Ministry of Planning and Budget, National Intelligence Service, Office for Government Policy Coordination" shall be changed to be "the Ministry of Strategy and Finance, Ministry of Unification, Ministry of Knowledge Economy, Ministry

for Health, Welfare and Family Affairs, Ministry of Environment, Ministry of Labor, Ministry of Land, Transport and Maritime Affairs, National Intelligence Service, Prime Minister's Office," respectively.

In Article 8, the term "Minister of Construction and Transportation" shall be amended to be "Minister of Land, Transport and Maritime Affairs," and "Minister of Planning and Budget" to be "the Minister of Strategy and Finance."

Toward the end of Article 10, Paragraph 2 and Article 12, Paragraphs 2 and 4, the term "Minister of Health and Welfare" shall be changed to be "Minister of Health, Welfare and Family Affairs."

② and ⑥ omitted

Addenda (Ministry of Public Administration and Security and Organization of its Affiliated Institutions) **<No.21214, December 31, 2008>**

Article 1 (Enforcement Date)

This Enforcement Decree shall enter into force on the date of the promulgation hereof.

Articles 2 and 4 (Omitted)

Article 5 (Amendment of Other Enforcement Decrees)

① to <29> omitted

<30> Some provisions of the Enforcement Decree of the Kaesong Industrial Zone Support Act shall be amended as follows:

In the end of Article 19, the term "Minister of Planning and Budget" shall be changed to be "Minister of Strategy and Finance."

<31> to <175> omitted

Addenda (Enforcement Decree of the State Properties Act) <No.21641, July 27, 2009>

Article 1 (Enforcement Date)

This Enforcement Decree shall enter into force on July 31, 2009.

Articles 2 and 13 (Omitted)

Article 14 (Amendment of Other Enforcement Decrees)

① Some provisions of the Enforcement Decree of the Kaesong Industrial Zone Support Act shall be amended as follows:

In Article 27, Paragraph 4, the phrase "Article 11 of the State Properties Act" shall be changed to be "Article 14 of the State Properties Act."

② to <65> omitted

Article 15 (Omitted)

Addenda (Enforcement Decree of Inter-Korea Exchange and Cooperation Act) <No.21648, July 30, 2009>

Article 1 (Enforcement Date)

This Enforcement Decree shall enter into force on July 31, 2009.

Articles 2 and 7 (Omitted)

Article 8 (Amendment of Other Enforcement Decrees)

① Some provisions of the Enforcement Decree of the Kaesong Industrial Zone Support Act shall be amended as follows:

In Article 9, Paragraph 3, the phrase "with an approval of a

cooperative project recognized under Article 17 of the Inter-Korea Exchange and Cooperation Act" shall be amended to be "with an approval of a cooperative project recognized under Article 17 of the Inter-Korea Exchange and Cooperation Act or after the receipt of the report on such cooperative project under Article 17-2 therein." In Article 18, the phrase "Article 21-2 of the Enforcement Decree of the Inter-Korea Exchange and Cooperation Act" shall be amended to be "Article 21 of the Enforcement Decree of the Inter-Korea Exchange and Cooperation Act."

② and ③ omitted

Article 9 (Omitted)

Addenda (Enforcement Decree of the Act on Promotion of Small and Medium Enterprise) <No.21835, November 20, 2009>

Article 1 (Enforcement Date)

This Enforcement Decree shall enter into force on November 22, 2009.

Article 2 (Amendment of Other Enforcement Decrees)

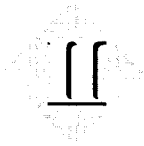
① Omitted

② Some provisions of the Enforcement Decree of the Kaesong Industrial Zone Support Act shall be amended as follows:

In Article 9, Paragraph 1, Item 11, the term "Act on Promotion of Small and Medium Enterprises and Their Products" shall be amended to be "Act on Promotion of Small and Medium Enterprises."

③ to <64> omitted

Article 3 (Omitted)



Kaesong Industrial Zone Act and Its Regulations

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Kaesong Industrial Zone Act

Adopted by Decree No. 3430 of the Presidium of the Supreme People's Assembly
on November 20, 2002

Amended by Decree No. 3715 of the Presidium of the Supreme People's Assembly
on April 24, 2003

Chapter I Fundamentals

Article 1

The Kaesong Industrial Zone (the "KIZ") is an international industry, trade, commerce, finance and tourism zone managed and operated in accordance with the law of the Democratic People's Republic of Korea ("DPRK"). The Kaesong Industrial Zone Act of the DPRK shall provide strict guidelines for the development and management of the KIZ, thereby contributing to the development of the economy of the Korean nation.

Article 2

For the development of the KIZ, the developer will be leased land to organize the site, construct infrastructure, and attract investment. The KIZ will be divided into separate areas, such as a factory area, commercial area, residential area, and tourism area.

Article 3

Citizens of the South, overseas Koreans, foreign corporations, foreign individuals and foreign economic organizations may invest in the KIZ. Investors may establish enterprises, set up branch offices, places of business or offices, and may freely engage in

economic activities in the KIZ. Preferential conditions for economic activity shall be granted in the KIZ in the matters such as labor recruitment, land utilization, and tax payment.

Article 4

Investment or business activities that hinder the security of society, sound development of the national economy or public health and environment protection, or engage in economically and technically backward fields shall not be permitted. In particular, the investment in the sectors of infrastructure construction, light industry, and high-tech industry shall be strongly encouraged.

Article 5

Overall guidance for business activities in the KIZ shall be provided by the central industrial zone guidance organ. The central industrial zone guidance organ shall guide the business activities of the KIZ through the KIZ management organ.

Article 6

Government agencies, enterprises, and organizations shall not intervene in the business activities of the KIZ. When such intervention is necessary, the consent of the central industrial zone guidance organ shall be required prior to any intervention.

Article 7

The legal rights and interests of investors shall be protected and the right of inheritance of investment assets shall be guaranteed in the KIZ. The investors' assets shall not be nationalized. In the event that the expropriation of investors' assets becomes necessary in connection with the public good due to unavoidable circumstances, investors shall be consulted prior to the expropriation and shall be

compensated for the assets' value.

Article 8

Citizens of the South, overseas Koreans, and foreigners may not be apprehended or placed under arrest; nor can their bodies and homes be searched without any legal grounds. With respect to the matters related to personal safety and criminal cases, in case where there is any agreement between the North and the South or any treaties between the DPRK and other foreign countries, such matters shall be handled pursuant to the applicable agreements or treaties.

Article 9

Economic activities in the KIZ shall be conducted pursuant to this Act and its enforcement regulations. The central industrial zone guidance organ and KIZ management organ shall consult with each other and handle matters which are not specifically provided by-laws and regulations.

Chapter II Development of KIZ

Article 10

Development of the KIZ shall be carried out by the designated developer. The central industrial zone guidance organ shall designate the developer.

Article 11

The developer shall enter into a land-lease contract with the central industrial zone guidance organ. The central industrial zone guidance organ shall present a certificate of land-use right issued by the relevant organ to the developer.

Article 12

The leasing period for the KIZ 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 provided that the lease-holding enterprise makes such an application.

Article 13

The developer shall accurately draw up and submit a master development plan for the KIZ to the central industrial zone guidance organ. The central industrial zone guidance organ shall notify the developer of the results of its assessment of the plan within thirty (30) days from the date of receipt of such plan.

Article 14

Development of the KIZ shall be conducted in accordance with the master development plan as approved. An application must be submitted to the central industrial zone guidance organ for approval in order to modify the master development plan.

Article 15

The central industrial zone guidance organ shall, in a timely manner, relocate or remove buildings and fixtures, and relocate residents so that it does not hinder the development projects. The cost of moving and removing buildings and fixtures in the development area and relocating residents shall be borne by the developer.

Article 16

The developer shall commence development projects upon completion of the removal of buildings and fixtures in the development area. Development of the KIZ may proceed in stages.

Article 17

The developer shall construct the infrastructure in the KIZ. If necessary, the developer may partner with other investors for infrastructure construction or transfer or assign infrastructure construction such as facilities for electric power supply, communication, and water supply.

Article 18

Upon completion of infrastructure construction, the developer shall designate the locations of the enterprises in the KIZ according to the master development plan. The developer may sell or sublease its land-use rights and buildings to enterprises.

Article 19

The developer may engage in business activities in the KIZ such as housing construction, tourism and entertainment, and advertising.

Article 20

The central industrial zone guidance organ and relevant organs shall guarantee conditions for the passage of personnel and materials to and from the KIZ so that KIZ development project will not be hindered.

Chapter III Management of KIZ

Article 21

Management of the KIZ shall be the responsibility of the KIZ management organ, under the guidance of the central industrial zone guidance organ. The KIZ management organ shall report quarterly to the central industrial zone guidance organ on the state of KIZ operations.

Article 22

Duties of the central industrial zone guidance organ are as follows:

1. Designate developer;
2. Guide the KIZ management organ's operation;
3. Draw up detailed enforcement regulations for this Act and its regulations;
4. Guarantee the supply of labor, water, and goods as requested by the enterprises;
5. Receive and store documents related to the design of construction;
6. Promote the sale of goods manufactured in the KIZ in the markets of the North;
7. Manage tax affairs in the KIZ; and
8. Perform other tasks delegated by the state.

Article 23

The central industrial zone guidance organ shall regularly consult with relevant organs on matters arising from the operation of the KIZ. The relevant organs shall cooperate fully with the central industrial zone guidance organ with regard to its activities.

Article 24

The KIZ management organ shall be comprised of members recommended by the developer. The central industrial zone guidance organ may dispatch its members to work for the KIZ management organ, if the KIZ management organ makes such a request.

Article 25

The duties of the KIZ management organ are as follows:

-
1. Create conditions for and attract investment;
 2. Approve establishment of enterprises, register enterprises, and issue business operation permit;
 3. Issue construction permit and inspect completion of the construction;
 4. Registration of land-use rights, buildings, and vehicles;
 5. Support management activities of the enterprises;
 6. Manage infrastructure facilities;
 7. Protect the environment of the KIZ and prevent fires;
 8. Issue certificates of passage for personnel and vehicles from the South entering and exiting the KIZ;
 9. Draw up operating rules of the KIZ management organ; and
 10. Perform other tasks delegated by the central industrial zone guidance organ.

Article 26

The chairman shall be the head of the KIZ management organ. The chairman shall be responsible for organizing and guiding the overall activities of the KIZ management organ.

Article 27

The KIZ management organ shall have the operating funds. The operating funds shall be derived from income such as commissions.

Article 28

Personnel from the South, overseas Koreans, foreigners and vehicles entering and exiting the KIZ with a passage certificate issued by the KIZ management organ may pass through a designated route without a visa. Rules governing passage from other regions of the DPRK to the KIZ and vice versa shall be provided separately.

Article 29

Citizens of the South, overseas Koreans, and foreigners are guaranteed living conveniences in cultural enrichment, health care, sports and education and may also freely use communication services such as postal services, telephone and fax machines.

Article 30

Citizens of the South, Koreans, and foreigners entering and departing, staying, and/or residing in the KIZ may tour designated sites of revolutionary historic relics, historic remains and relics, scenic beauty, and natural monuments in Kaesong City. The People's Committee of Kaesong City is responsible for preserving and managing tourist site facilities and providing necessary services for tourists.

Article 31

Advertising in the KIZ shall not be subject to restrictions in terms of location, types, contents, methods, and duration. In the case of outdoor advertising, however, approval of the KIZ management organ must be obtained.

Article 32

Transportation of materials to and out of the KIZ is subject to a reporting requirement. Those who wish to transport materials shall complete a form accurately and submit it to the relevant customs.

Article 33

No customs duty shall be imposed on materials entering the KIZ or materials from the KIZ entering the South or other countries, and materials for outward processing by government agencies, enterprises, and organizations of the DPRK. Materials coming from

overseas that are sold to other regions of the DPRK untouched may be subject to customs duty.

Article 34

The quarantine and inspection organ shall conduct, in a scientific and expeditious manner, the tasks of entry inspection, customs inspection, and hygiene and quarantine inspection of animals and plants so that the safety and investment inducement of the KIZ is not hindered.

Chapter IV Enterprise Establishment and Operation in KIZ

Article 35

Investors who wish to establish an enterprise in the KIZ shall submit an application of enterprise establishment to the KIZ management organ. The KIZ management organ shall either approve or reject the application and notify the applicant of the result within ten (10) days from date of receipt of the application.

Article 36

Investors who have received the approval of enterprises establishment shall invest a designated amount of capital, register their enterprises with the KIZ management organ and within twenty (20) days thereafter complete customs and tax registration at the relevant organs. In this case, designated documents shall be submitted.

Article 37

An enterprise shall hire its employees only from among nationals of the DPRK. Foreigners and citizens of the South may be employed for managerial positions, technicians or skilled workers

in special jobs, with a proper notification to the KIZ management organ. The KIZ management organ shall report such cases to the central industrial zone guidance organ.

Article 38

The business scope of an enterprise shall be limited to such areas that have been approved for business operation. If an enterprise wishes to expand or modify its business scope, it must obtain the approval of the KIZ management organ.

Article 39

An enterprise may purchase goods necessary for its operation from regions of the DPRK located outside of the KIZ; it may also sell its products in the regions of the DPRK. An enterprise may, if necessary, consign the processing of raw materials, other materials or parts to government agencies, enterprises, or organizations of the DPRK.

Article 40

The price of goods and service fees in the KIZ, as well as the price of goods traded between the enterprises and the institutions, enterprises, and organizations of the DPRK shall be determined according to an agreement between the parties concerned based on prices prevailing in the international market.

Article 41

The circulating currency in the KIZ shall be a convertible foreign currency, and other means such as a credit card may be used. The type of currency and standard currency shall be determined through an agreement between the KIZ management organ and the central industrial zone guidance organ.

Article 42

All enterprises shall open an account at a bank located in the KIZ. An enterprise may open an account at a bank in the South or other countries following prior notification to the KIZ management organ.

Article 43

An enterprise shall accurately conduct its accounting and pay taxes such as corporate income tax, turnover tax, business tax, or local tax in a timely manner. The rate of corporate income tax in the KIZ shall be fourteen (14) percent of the net 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 KIZ. Any profit and income earned from business activities may be remitted or carried to the South or other countries without paying taxes.

Article 45

If an enterprise wishes to establish branches, places of business or offices in the KIZ, it shall submit a relevant application to and obtain approval from the KIZ management organ. Branches and operation offices must register with the KIZ management organ in order to commence business activities.

Chapter V Dispute Settlement

Article 46

Any disagreement arising over the development and management of the KIZ or business operations in the KIZ shall be settled

through consultation among the parties concerned. If the dispute cannot be settled through consultation, the parties may rely on commercial dispute settlement procedures agreed upon by the North and the South, an arbitration procedure, or court proceedings.

Addenda:

Article 1

This Act shall enter into force on the date of its adoption.

Article 2

Any agreement made between the North and the South concerning the KIZ shall have the same effect as this Act.

Article 3

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

Development Regulations for Kaesong Industrial Zone

Adopted by Decision No. 102
of the Presidium of the Supreme People's Assembly on April 24, 2003

Article 1 (Mission)

These Regulations shall aim to provide strict guidelines for developing the Kaesong Industrial Zone (the "KIZ"), in accordance with the Kaesong Industrial Zone Act, thereby contributing to the effective development of the KIZ.

Article 2 (Selection of Developer)

The central industrial zone guidance organ shall select the developer for developing the KIZ. The central industrial zone guidance organ shall select the developer in accordance with the written agreement entered into by and between the North and the South.

Article 3 (Preparation of Master Development Plan)

A master industrial zone development plan shall be prepared by the developer. The developer shall conduct land measurements and geological survey(s) and then prepare the master industrial zone development plan. The master industrial zone development plan shall reflect the land-use planning, infrastructure construction plan, development plan per area, investment and project implementation plan by phase, and others similar thereto.

Article 4 (Guarantee of Data Necessary for Preparation of Master Development Plan)

The central industrial zone guidance organ shall guarantee that the developer will be provided with the information and data necessary for preparing the master industrial zone development plan in a timely manner, including the existing infrastructure survey report and hydrometeorological data.

Article 5 (Deliberation and Approval of Master Development Plan)

The developer shall submit the master industrial zone development plan to the central industrial zone guidance organ. Within thirty (30) days of receipt of the master industrial zone development plan, the central industrial zone guidance organ shall have the Cabinet deliberate and notify the developer of the outcome of such deliberation. The Cabinet may request the developer to amend or supplement the master industrial zone development plan.

Article 6 (Planned Development and Modifications)

Development of the KIZ shall be carried out by the developer in accordance with the approved master industrial zone development plan. If the developer intends to proceed with the said development work in a manner that deviates from the master industrial zone development plan, the developer shall submit to the central industrial zone guidance organ a proposal for modification thereof. The central industrial zone guidance organ shall review such proposal and notify the developer of the result thereof, within twenty (20) days of the date of submission of such proposal.

Article 7 (Removal and/or Relocation of Buildings and Fixtures)

The developer shall consult and reach an agreement with the central industrial zone guidance organ with regard to the removal

and/or relocation of the buildings and fixtures, if any, existing in the development area. The central industrial zone guidance organ shall cause such buildings and fixtures to be removed and/or relocated in a timely manner, as the case may be, and shall have residents therein move out of the site in time, so that such development work is not hindered.

Article 8 (Expenses for Removal and Relocation and Moving of Residents)

The cost and expenses for removing and/or relocating the buildings and fixtures existing in the development area and having residents therein move out of the site shall be borne by the developer. The amount of such cost and expenses to be borne by the developer hereunder shall be determined by mutual agreement between the central industrial zone guidance organ and the developer.

Article 9 (Commencement of Development Work)

The development work of the KIZ may be carried out in phases. The developer shall commence such development work, after the buildings and fixtures existing in the development area have been removed.

Article 10 (Construction of Infrastructure)

Construction of infrastructure for the KIZ shall be performed by the developer. If necessary, the developer may construct infrastructure such as facilities for electricity, telecommunication and water supply jointly with other investors, or transfer or entrust a thirty party for such construction.

Article 11 (Usage Fee for Infrastructure Facilities)

An investor in the infrastructure construction sector may register

as an enterprise with the KIZ management organ and engage in business activities and collect usage fees for the use of roads, electricity, gas or water. In such case, the said usage fee shall be determined in consultation with the KIZ management organ.

Article 12 (Construction of Infrastructure outside KIZ)

Construction of infrastructure connected to the KIZ from outside the KIZ shall be the responsibility of the central industrial zone guidance organ. In this case, the central industrial zone guidance organ may have the developer to guarantee on a commercial basis the supply of equipment and other materials necessary for construction of the infrastructure or have another investor(s) to construct and operate such infrastructure in consultation with the developer.

Article 13 (Placement of Enterprises)

The developer shall place enterprises in a reasonable manner. In this connection, land-use rights in the KIZ and buildings therein may be transferred or leased to enterprises or investors, depending on the purpose of use thereof. The developer may entrust to the KIZ management organ the business of placing enterprises and transfer or lease of land-use rights and buildings.

Article 14 (Construction Permit)

The KIZ management organ is authorized to issue construction permits in the KIZ. Any person who wishes to construct an object shall submit to the KIZ management organ the plans and drawings for the said construction and obtain a construction permit.

Article 15 (Keeping Plans and Drawings on File)

Once a construction permit has been issued, the KIZ management organ shall submit to the central industrial zone guidance organ

a copy of the relevant plans and drawings related to the construction permit issued. The central industrial zone guidance organ 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 KIZ, it shall be immediately reported to the central industrial zone guidance organ. Upon receipt of such report, the central industrial zone guidance organ shall handle the historic remains and relics in consultation with the authority concerned.

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

In order not to hinder the development of the KIZ, the central industrial zone guidance organ and the authority concerned shall guarantee conditions for entry and exit of personnel, daily life conveniences and transportation of materials into and out of the KIZ.

Article 18 (Guarantee of Labor, Water Supply and Materials)

The central industrial zone guidance organ shall guarantee that the developer will be provided, in a timely manner, with water supply, materials and others similar thereto of the DPRK as requested by the developer. If necessary, an agreement may be entered into between the developer and the government agencies, enterprises or organizations of the DPRK concerned to guarantee the same.

Article 19 (Business Rights of Developer)

The developer shall be granted the business rights in the field of construction of infrastructure, energy supply, transportation, storage of materials, advertising and others similar thereto in the KIZ. If necessary, the developer may transfer or entrust to a third party the same business rights.

Regulations on Establishment and Operation of Enterprises in Kaesong Industrial Zone

Adopted by Decision No. 103
of the Presidium of the Supreme People's Assembly on April 24, 2003

Article 1 (Mission)

These Regulations shall aim to provide strict guidelines for the establishment, registration, and operation of enterprises in the Kaesong Industrial Zone (the "KIZ"), in accordance with the Kaesong Industrial Zone Act, thereby ensuring the convenience of business activities of enterprises.

Article 2 (Investors and Investment Sectors)

Citizens of the South, overseas Koreans, foreign enterprises, foreign individuals, and foreign economic organizations may invest in the KIZ. Investment sectors shall include, without limitation, manufacturing, construction, transportation, telecommunication, technology, commerce, finance, and tourism.

Article 3 (Encouragement of Investment)

In the KIZ, investors are strongly encouraged to establish enterprises involved in the sectors of infrastructure construction, light industry, and high tech technologies. Enterprises investing in any of the encouraged sectors shall receive preferential treatment including tax reduction and exemption as well as the use of land under favorable terms and conditions. The KIZ management organ shall

prescribe and give public notice of the business types that are promoted, restricted, or prohibited in the KIZ, in consultation with the central industrial zone guidance organ.

Article 4 (Type of Business to be Established)

In the KIZ, various types of enterprises may be established by investors through sole investment or joint investment with other investors.

Article 5 (Articles of Association²⁾ of Enterprises)

Each enterprise established in the KIZ shall have its own articles of association. Such articles of association 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, representative of the enterprise, duties and power of the auditor, terms for issuance of stocks and bonds, distribution of profits, dissolution and liquidation, and revisions of and supplements to its articles of association.

Article 6 (Requirements for Business Operation and Registered Capital)

Each enterprise established in the KIZ shall have managers 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 (10%) or more of the total amount of investment.

2) Translator's Note: Korean original of this English translation is "규약." Translator basically referred to the "Laws and Regulations on Foreign Investment" published in DPRK (Legislation Press, 2006) when translating unique terms of DPRK acts.

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

Approval and registration of enterprises to be established in the KIZ shall be the responsibility of the KIZ management organ. The KIZ management organ shall prepare and enforce the working rules concerning the procedure for the approval and registration of establishment of enterprises.

Article 8 (Application for Enterprise Establishment)

An investor intending to establish an enterprise in the KIZ shall submit an application to the KIZ management organ 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 term 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 articles of association, 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 Enterprise Establishment)

The KIZ management organ 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 KIZ management organ shall provide the applicant with a notice of approval thereof in writing, indicating the enterprise's name, total amount of investment and registered capital, business type and size, term of investment, managers, number of employees, etc. If the application is not approved, the KIZ management organ shall provide the applicant

with a notice of rejection in writing.

Article 10 (Term of Investments)

An investor that has obtained approval for enterprise establishment shall make investments within the period specified in the notice of approval of enterprise establishment. If such investments cannot be completed within the aforementioned period, the enterprise concerned shall submit to the KIZ management organ 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 (Form of Investments)

Investment may be in the form of cash, property in kind, or 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 Enterprise Registration)

An investor shall invest an amount that is the same as or more than that of the registered capital of the enterprise, and then submit an application to the KIZ management organ for enterprise registration. In the event that developers carry out business activities in the KIZ, they will also be required to submit an application for enterprise registration.

Article 13 (Contents of Application for Enterprise Registration)

Each application for enterprise registration hereunder shall state the enterprise's name, investor's name and address, total amount of investment and registered capital, business type and size, the estimated date of commencement of operation, the managers, number

of employees, etc., and shall be accompanied by a copy of each of the following: notice of approval of enterprise establishment, land-use rights registration certificate, and document such as a certificate of investments.

**Article 14 (Processing of Application for Enterprise Registration/
Date of Enterprise Establishment)**

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

Article 15 (Registration with Customs and Tax Office)

Each enterprise shall complete customs registration and tax registration within twenty (20) days of the date of receipt of the enterprise registration certificate. Such customs registration and tax registration shall be made with the KIZ customs and the KIZ tax office, respectively.

Article 16 (Scope of Business Activities and Change of Business Type)

Each enterprise shall carry out business activities within the scope of the approved type of business. Any expansion or change of business type shall be subject to the approval of the KIZ management organ.

Article 17 (Issuance of Stocks and Bonds)

Each enterprise may issue stocks, bonds, and other securities in accordance with the relevant provisions of the articles of association.

Stocks, bonds and other securities may be transferred or circulated.

Article 18 (Transportation of Materials In and Out of KIZ for Business Activities)

Each enterprise may freely transport into the KIZ all materials necessary for its business activities therein, or transport out of the KIZ the products produced and materials purchased therein, without restriction.

Article 19 (Report on Materials Taken In and Out of KIZ)

All materials being transported in or out of the KIZ shall be reported. An enterprise intending to transport any materials in or out of the KIZ shall report with the customs having jurisdiction over the place of transport and receive inspection.

Article 20 (Relationship between the Organs of DPRK, Enterprises and Organizations)

Each enterprise may purchase the materials necessary for its business activities, sell the products produced by it and process raw materials, other materials and parts by transfer, under an agreement entered into, through the central industrial zone guidance organ, with the organs of DPRK, enterprises, or organizations.

Article 21 (Settlement of Accounts)

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

Article 22 (Establishment of Reserve Fund)

Each enterprise shall establish a reserve fund, after having paid the corporate income tax determined by net profit. Five percent

(5%) of the net profit 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 reserve fund may be used 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 use other funds at its own discretion, such as a bonus fund, a culture & welfare fund, and training fund.

Article 24 (Profit Dividends)

Each enterprise may distribute to its shareholders, as dividends, part of or all the net profits for the year after the settlement of accounts. Profit dividends shall be paid out from 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)

An enterprise to be dissolved shall cause its board of directors or a general meeting of investors to discuss and resolve its dissolution and shall file a dissolution report to the KIZ management organ. The date of the filing of the dissolution report shall be the date of the dissolution of the enterprise.

Article 26 (Formation of Liquidation Committee)

Within ten (10) days of 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' representative

and the KIZ management organ. The enterprise shall obtain approval of the KIZ management organ 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 KIZ management organ's approval of the list of members. The residual property of the enterprise to be liquidated shall be the 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. Notification of creditors and debtors of the enterprise's liquidation;
2. Holding of creditors' meetings;
3. Take over and management of the enterprise's residual property;
4. Confirmation of the enterprise's accounts (receivable and payable) and preparation of a statement of financial position and a list of property;
5. Valuation of the enterprise's property;
6. Drafting of a liquidation proposal;
7. Payment of any taxes and settlement of accounts receivable and payable;
8. Confirmation of the residual property after liquidation; and
9. Dealing 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 excess value, as corporate income tax. Notwithstanding the foregoing provision, an enterprise having engaged in business for fifteen (15) years or longer in the KIZ shall be exempt from such corporate income tax, with respect to the value of the residual property exceeding the registered capital.

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

An enterprise that has filed a dissolution report may not dispose of any of its property at its discretion before completion of the procedure for liquidation. The enterprise concerned may dispose of any residual property after liquidation in the KIZ or transfer it outside the territory of the DPRK.

Article 31 (Post Liquidation Procedure)

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

Article 32 (Business Registration for Branch Office, Place of Business or Individual)

A branch office or place of business of an enterprise or an individual intending to carry out any profit making activities in the KIZ, shall register itself with the KIZ management organ. In such case, the KIZ management organ shall issue an applicable registration certificate.

Tax Regulations for Kaesong Industrial Zone

Adopted by Decision No. 1
of the Presidium of the Supreme People's Assembly on September 18, 2003

Chapter I General Provisions

Article 1 (Mission)

These Regulations shall aim to provide strict guidelines for tax administration in the Kaesong Industrial Zone (the "KIZ"), thereby ensuring the accuracy in the imposition of, and payment of, tax.

Article 2 (Subject of Application)

These Regulations shall apply to any enterprises and individuals carrying out business activities or earning income in the KIZ. The term "enterprise" as used herein shall include any enterprises and their branch offices, places of business and individual business operators engaging in profit making activities, and the term "individual" includes any citizen of the South or overseas Korean, and foreigner.

Article 3 (Taxation Agency and Guidance Agency)

The KIZ tax office shall be responsible for the imposition and collection of taxes. The guidance for the administration of the KIZ tax office shall be provided by the central industrial zone guidance organ.

Article 4 (Tax Registration by Enterprises)

Tax registration in the KIZ shall be made with the KIZ tax office.

In such case, an applicant shall submit an application for tax registration as well as a copy of its enterprise registration certificate. Tax registration will be made to the KIZ tax office within twenty (20) days of the date of issuance of the enterprise registration certificate.

Article 5 (Alteration or Cancellation of Tax Registration by Enterprises)

Registration of changes in tax registration shall be made within twenty (20) days of the date of a merger, spin off, or the registration of changes in registered capital or type of business. 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 in the KIZ, shall complete tax registration within twenty (20) days. In such cases, the individual shall submit an application for tax registration. An enterprise may, on behalf of its employees, undertake the procedures for tax registration.

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 where a change in tax registration has been registered, the tax registration certificate shall be reissued.

Article 8 (Language of Tax Documents)

All of the tax documents in the KIZ shall be prepared in Korean. If necessary, such documents may be prepared in a language other than Korean, in which case a Korean translation 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 KIZ tax office, in consultation with the KIZ management organ.

Article 10 (Period of Retention of Tax Documents)

Tax documents shall be kept on file for five (5) years. However, annual statements of accounts settlement and accounting documents for fixed assets shall be retained throughout the lifetime of the enterprise.

Article 11 (Currency for Payment and Calculation of Taxes)

Calculation and payment of all taxes in the KIZ shall be in U.S. dollars.

Article 12 (Procedure for Tax Payment)

For tax payment, a taxpayer shall file a tax return with the KIZ tax office for its confirmation and then shall pay the tax to the bank designated by the central KIZ guidance organ. In such case, the bank shall issue to the taxpayer a certificate of tax payment while delivering to the KIZ tax office a notice confirming receipt of the said tax from the taxpayer.

Article 13 (Treatment of Erroneous Tax Payment)

An enterprise or individual who has paid any tax inaccurately may make a report to amend the tax return filed. In the case of enterprise income tax, an amended tax return shall be filed at least thirty (30) days prior to the deadline for the payment of tax payable for the following fiscal year and, in the case of individual income tax, inheritance tax, turnover tax, business tax, and city management tax, an amended tax return shall be filed within sixty (60) days from the respective due date for payment.

Article 14 (Treatment of Overpaid or Unpaid Tax)

In case where a taxpayer makes an additional tax payment with an amended 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 of tax, the KIZ 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 and tax payment shall be completed within the prescribed period. If a taxpayer is unable to complete tax registration or make tax payment within the prescribed period due to a cause beyond his/her control, the taxpayer shall do so within ten (10) days from the date on which such cause no longer exists.

Article 16 (Application of Agreements or Intergovernmental Agreements)
If the DPRK enters into any tax related agreement with the South or any other country, such agreement shall apply.

Article 17 (Conditions of Tax Imposition and Exemption)

No taxes other than those prescribed under these Regulations shall be assessed or imposed in the KIZ. No tax shall be imposed on developers' property or their business activities related to the development of the KIZ.

Chapter II Enterprise Income Tax

Article 18 (Enterprise Income Tax)

Each enterprise shall pay enterprise income tax on the income derived from its business activities and other income in the KIZ. Income derived from business activities shall include revenue from

the sale of products, income from delivery of construction works, income from freight charges and fees, etc. Other income shall include income from interests, dividends, lease of fixed assets, sales proceeds of assets, royalties for intellectual property right and technical know how, income from management service and gift income.

Article 19 (Tax Rates of Enterprise Income Tax)

The enterprise income tax rate applicable to the enterprises doing business in the KIZ shall be fourteen percent (14%) of the net profit. Notwithstanding the foregoing, the enterprise income tax rate applicable to the enterprises engaging in the sector of infrastructure construction, light industry, and the cutting edge technology shall be ten percent (10%).

Article 20 (Method of Determining Net Profits)

An enterprise's net profit for the year shall be determined by deducting from the gross income all of the costs incurred and any turnover tax or business tax assessed in relation to it. Itemized revenues, costs and expenses, point in time of calculation and method of valuation thereof shall be in accordance with the Accounting Regulations for the KIZ.

Article 21 (Calculation Period for Enterprise Income Tax)

The calculation period of enterprise income tax shall begin on January 1 and end on December 31 of each calendar year. In the case of a newly established enterprise, the calculation 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, the calculation period shall begin on January 1 of the year of dissolution and end on the date of the announcement of such dissolution.

Article 22 (Method of Calculating Enterprise Income Tax)

Enterprise 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 enterprise 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)

An enterprise may not change its choice of calculation method for three (3) years thereafter. An enterprise intending to change such method shall submit an application to the KIZ tax office one (1) month prior to the end of the fiscal year.

Article 24 (Carryover Period of Operating Loss)

An enterprise that has reported an operating loss for a fiscal year may recover such loss through the net profit for the following fiscal years. The carryover period of operating loss shall not exceed five (5) years.

Article 25 (Deadlines for and Methods of Estimated Payment and Full Payment)

An enterprise to pay enterprise income tax for any fiscal year shall make an estimated 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, any overpaid enterprise income tax shall be refunded to that taxpayer. If an enterprise is found to have paid less than the full amount of its enterprise income

tax, such deficiency shall be paid by that enterprise to the tax office. If an enterprise is unable to calculate accurately its profit earned for the six months of any fiscal year, it shall make an estimated payment of enterprise income tax in the amount equal to one half (1/2) of the enterprise income tax it paid for the immediately preceding fiscal year.

Article 26 (Audit)

Each enterprise shall receive an audit with respect to its annual financial statements for the fiscal year before making a full payment of its enterprise 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 receive an audit.

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

Within three (3) months of the end of the fiscal year, each enterprise shall file annual financial statements and an enterprise income tax return with the KIZ tax office and, upon confirmation thereof by the KIZ tax office, shall pay such tax to an appropriate bank.

Article 28 (Deadline for Tax Payment in the Cases of Dissolution, Merger or Spin off)

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

Article 29 (Reduction of and Exemption from Enterprise Income Tax)

Enterprise income tax shall be exempted or reduced in the following cases:

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1. The enterprises engaging in an encouraged sector and in the production sectors shall be entitled to an exemption from enterprise income tax for five (5) years from the first profit generating year and to a reduction of up to 50% for the following three (3) years; provided, however, that such enterprises are to be operated for more than fifteen (15) years;
 2. The enterprises engaging in the service sectors shall be entitled to an exemption from enterprise income tax for two (2) years from the first profit generating year and to a reduction of up to 50% for the following one (1) year; provided, however, that such enterprises are to be operated for more than ten (10) years;
 3. Where an enterprise reinvests the profits from its business to operate its business for more than three (3) years, 70% of the income tax paid on the reinvested amount shall be deducted from its enterprise income tax payable for the following year.

Article 30 (Calculation Method of Reduction & Exemption Period for Enterprise Income Tax)

The reduction and exemption period for enterprise income tax hereunder shall be calculated consecutively from the first fiscal year when the enterprise concerned generates a net profit. Even a fiscal year in which a net operating loss occurred 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 enterprise income tax hereunder shall submit to the KIZ 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, type of business, the first year in which a net profit

was generated, the amount of its total investment, the name of its correspondent bank and its bank account number, etc.

Article 32 (Condition for Withdrawal of Reduction and Exemption of Enterprise Income Tax)

Enterprise income tax reduced or exempted from payment shall be collected from the enterprise in case where such enterprise withdraws from the KIZ or 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 Offices, etc.)

The following tax rates shall apply to income earned in the KIZ by an enterprise's branch office, place of business, or office not engaged primarily in profit generating activities, or by other enterprises, economic organizations or associations located outside the KIZ:

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 Branch Offices, etc.)

If other income has been earned by an enterprise's branch office, operation office, or office not engaged primarily in for profit

activities, the beneficiary concerned shall file a tax return within ten (10) days of the following month. In case where other income has been earned in the KIZ by other enterprises, economic organizations, or associations located outside the KIZ, the withholding agency shall deduct and pay the income tax within ten (10) days of the following month before making payment of such income.

Chapter III Individual Income Tax

Article 35 (Obligations of Individual Income Tax Payment)

Each individual having earned income in the KIZ shall pay individual income tax on such income. Individual income tax shall be levied on income from labor remuneration, interest income, dividend income, rental income on fixed assets, income from proceeds from the sale of assets, income from royalties for intellectual property rights and technical know how, income from management service including technical advisory service, training of skilled workers and other management consulting and gift incomes.

Article 36 (Tax Rates of Individual Income Tax)

Individual income tax rates shall be as follows:

1. Income from labor remuneration: If the balance of the monthly income from labor remuneration after a deduction of 30% thereof is US\$500 or more, the tax rates prescribed in Appendix 1 attached hereto shall apply;
2. Gift income: If the amount of gift 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;

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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 proceeds from the sale of assets, income from royalties for intellectual property rights and technical know how, and income from management service: 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 labor remuneration shall be calculated by applying the tax rates prescribed in Appendix 1 attached hereto to the balance of the monthly labor remuneration after a deduction of 30% thereof;
2. The individual income tax on income from donation 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 proceeds from the sale of assets, income from royalties for intellectual property rights and technical know how, and income from management related fees 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 Non-Cash Individual Income)

In imposing 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 labor remuneration shall be deducted and paid by the payer, or shall be paid by a beneficiary thereof, who shall also file a return of the same income tax, within 10 days of the month immediately following the month in which such labor remuneration was earned. In the event that an enterprise, economic organization, or association located outside the KIZ pays labor remuneration on behalf of an enterprise, or its not for profit branch office, operation office, or office located in the KIZ, such income tax shall be withheld and paid by the enterprise or its not for profit branch office, operation office, or office located in the KIZ.
2. The individual income tax on income from the proceeds from the sale of assets and income from donation shall be declared and paid by the beneficiary of such income, within 30 days from the date on which such income was earned.
3. The individual income tax on interest, dividends, lease of fixed assets, royalties for intellectual property right and technical know how and management related fees be deducted and paid by the enterprise paying such income or shall be declared and paid by the beneficiary of such income within ten (10) days of the month immediately following the month in which such income was 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 South and the DPRK, or between the DPRK and another country;
2. Income, such as interest on savings deposits, insurance benefits, or other insurance compensation that is received from any financial institutions of the DPRK; and
3. Interest on money deposited by non-residents in bank(s) established in the KIZ.

Chapter IV Property Tax

Article 41 (Obligation of Property Tax Payment)

Each enterprise and individual shall pay property tax on those permanent buildings owned by that enterprise or individual in the KIZ.

Article 42 (Taxpayer Obligated to Pay Property Tax)

The person obliged to pay property tax shall be the owner of the building as of January 1 of each year. A person who owns a building shall pay property tax, even when he/she has leased out or created mortgage over the building.

Article 43 (Method of Registration of Buildings)

A building owner shall register the building with the KIZ management organ by submitting an application for registration thereof, within twenty (20) days of the month immediately following the month in which the building was acquired. The application for registration shall state the owner's name and

address, the building's name, unit, quantity, floor space, useful life, the year of completion, the acquisition cost and, in the case of a building transferred, the transferor'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.

Article 45 (Re registration of Buildings)

When the value of a building already registered has changed, the owner may re register the building with the KIZ management organ. A building owner who intends to re register his/her building shall submit to the KIZ management organ a document certifying the changed value of the building.

Article 46 (Objects of Property Taxation)

Property tax shall be assessed on a building on the basis of its registered price. Upon registration of a building, the KIZ management organ shall issue a building registration certificate to the owner and deliver a copy thereof to the KIZ tax office.

Article 47 (Property Tax Rates)

The property tax rate 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 Property Tax Payment)

The KIZ tax office shall issue a notice for payment of property tax to the owner of each building within the end of February every year, and each building owner shall pay the property tax within 30 days of receipt of such notice for payment of property tax. The owner of a newly built building shall pay property tax on the building, within thirty (30) days from the elapse of 5 year period starting from the date of registration of the building, which will be incurred up to December 31 of the same year.

Article 50 (Refund of Overpaid Tax for Demolished Buildings)

A building owner who has demolished his/her building shall submit to the KIZ tax office an application for refund of property tax, accompanied by a building demolition certificate. Such application for refund of property tax 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 application, the KIZ tax office shall complete its review of the application within ten (10) days from the date of application 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.

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

A person who owns a newly built building shall be exempt from the payment of property tax on such building for 5 years starting from the date of registration thereof.

Chapter V Inheritance Tax

Article 52 (Obligation of Inheritance Tax Payment)

A person who has inherited any property existing in the KIZ shall

pay inheritance tax. Inherited property shall include properties such as real estate, cash, property in kind, securities, intellectual property rights, rights to claim insurance proceeds and property rights.

Article 53 (Objects of Inheritance Taxation)

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

1. Decedent's debts and liabilities;
2. Funeral expenses paid by heirs;
3. Cost and expenses incurred for preservation and maintenance of inherited property during period of inheritance;
4. Expenses incurred in relation to inheritance thereof, including notary fees;
5. Expenses for supporting the bereaved family members (US\$300,000).

Article 54 (Price of Inherited Property)

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

Article 55 (Inheritance Tax Rates)

If the remaining value of any inherited property is US\$100,000 or more after deduction of the applicable 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 applicable expenditures hereunder the relevant tax rates specified in Appendix

4 attached hereto.

Article 57 (Means of Payment of Inheritance Tax)

Inheritance tax shall be paid in cash. In the event that inheritance tax cannot be paid in cash for any unavoidable reason, the taxpayer concerned may submit to the KIZ 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 obtaining approval from the KIZ tax office, pay the same tax in kind.

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

The inheritor shall pay an inheritance tax, within six (6) months of the inheritance of property. In this case, the inheritor shall submit (to the KIZ tax office) the inheritance tax return stating the value of inherited property, the amount of deduction, the amount of inheritance tax, together with an application for inheritance tax deduction, 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 over a three (3) year period, with the approval of the KIZ tax office.

Chapter VI Turnover Tax

Article 60 (Obligation of Turnover Tax Payment)

An enterprise engaging in the production sectors shall pay turnover tax.

Article 61 (Objects of Turnover Tax)

Turnover tax shall be levied on the sales proceeds of products.

Article 62 (Turnover Tax Rates)

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

Article 63 (Method of Calculating Turnover Tax)

Turnover tax shall be calculated by applying to the sales of products the relevant tax rates specified in Appendix 5 attached hereto. If an enterprise engages in the production sector as well as in the service sector, the enterprise shall calculate its turnover tax and business tax (as provided in Chapter 7 hereof) separately.

Article 64 (Deadline for and Method of Turnover Tax Payment)

A person who sells his/her products shall pay turnover tax within twenty (20) days after the end of each 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 turnover tax may be separately prescribed by the KIZ tax office.

Article 65 (Special Treatment related to Turnover Tax)

If an enterprise ships the products it produced to the South or exports to other country(s), the enterprise shall be exempted from the payment of turnover tax hereunder.

Chapter VII Business Tax

Article 66 (Obligation of Business Tax Payment)

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

Article 67 (Objects of Business Taxation)

Business tax shall be levied on the charges for services in the sectors of transport, post and telecommunications, commerce, finance, tourism, advertising, hotels, restaurants, recreation, hygiene and public service, as well as income from the delivery of construction works in the construction sector.

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

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

Each enterprise shall calculate business tax on a quarterly basis and pay the same within twenty (20) days of the following month.

Article 71 (Exemption of Enterprises in the 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 sewage, water supply, and roads, shall be exempted from business tax.

Chapter VIII Local Tax

Article 72 (Obligation of Local Tax Payment)

Every enterprise and individual shall pay local tax. Local taxes include city management tax and tax on the use of vehicles.

Article 73 (Objects of City Management Taxation)

City management tax shall be levied on an enterprise's monthly payroll or an individual's monthly gross income, including labor remuneration, interest income, dividend income, and income from the proceeds of sale of assets.

Article 74 (City Management Tax Rates)

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

Article 75 (Method of Calculating City Management Tax)

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

Article 76 (Method of Paying City Management Tax)

Each enterprise shall calculate the city management tax every month and pay the same within ten (10) days after the end of each month. An individual's city management tax shall be deducted and paid by the enterprise making payment of such income to the individual or directly paid by the beneficiary thereof within ten (10) days after the end of each month on which the income was earned.

Article 77 (Obligations of Payment of Motor Vehicle Use Tax)

An enterprise or individual who owns a motor vehicle as of January 1 of each year shall pay vehicle tax. The term “vehicles” shall include passenger cars, buses, lorries, motorcycles, and special vehicles. Special vehicles include crane cars, tankers, fork lift trucks, cement trucks, excavators, bulldozers, and refrigerator vans.

Article 78 (Registration of Vehicle)

An enterprise or individual wishing to use any vehicle in the KIZ shall submit to the KIZ management organ an application for vehicle registration, stating the owner’s name, address of residence or stay, the license plate number, vehicle type, the number of seats, load weight and the date of acquisition of the vehicle, etc. Upon registration of a vehicle, the KIZ management organ shall issue a vehicle registration certificate to the applicant and shall deliver its copy to the KIZ tax office.

Article 79 (Amount of Motor Vehicle Tax)

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

Article 80 (Method of Calculating Motor Vehicle Tax)

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

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

The KIZ tax office shall issue a notice for payment of motor vehicle tax to the owner of each motor vehicle within February of every year, and each motor vehicle owner shall pay the motor vehicle tax within 30 days from the receipt of the notice for payment of

motor vehicle tax. A person who has newly acquired a motor vehicle in the KIZ shall pay the motor vehicle tax on such 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)

One who has scrapped his/her motor vehicle shall submit to the KIZ tax office an application for refund of the motor vehicle tax, accompanied by a motor vehicle scrapping certificate. Such application for refund of the motor vehicle tax shall state the applicant's name and address, the model name of the vehicle, the date of scrapping, the amount of the motor vehicle tax already paid, and the amount of the tax to be refunded. Upon receipt of such application, the KIZ tax office shall review its content and refund to the applicant the motor vehicle 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 Non-use Periods of Motor Vehicles)

In case a motor vehicle has not been used for 60 consecutive days or longer, the owner of the motor vehicle not in use is entitled to an exemption from the motor vehicle tax for such period by submitting an application for exemption from the motor vehicle tax to the KIZ tax office.

Chapter IX Sanction and Complaint

Article 84 (Arrearage)

Where an enterprise or individual fails to pay any tax hereunder within the prescribed time limit, an arrearage shall be levied 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 after the deadline for the tax payment. Notwithstanding the foregoing, the aggregate amount of arrearage shall not exceed 15% of the amount of unpaid tax.

Article 85 (Those Subject to Sanction and Fine)

A fine 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 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, a penalty shall be imposed on such enterprise or individual in the amount of US\$10 to US\$1,000.
2. If a short payment or non-payment of taxes was made by an enterprise or individual, a fine shall be imposed on such 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 fine shall be imposed on such enterprise or individual in the amount equal to a maximum of 3 times the unpaid tax.

Article 86 (Settlement of Complaint)

An enterprise or individual having an objection to the assessment and payment of taxes hereunder, may file an objection or issue a complaint to the KIZ tax office. Upon receipt of such objection or complaint, the KIZ tax office and the central KIZ guidance organ shall investigate and settle the case within thirty (30) days of the receipt thereof.

〈Appendix 1〉 Individual income tax Rates on Monthly Wage/Salary
(Unit: US\$)

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

〈Appendix 2〉 Individual income tax Rates on Gift Income
(Unit: US\$)

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

(Appendix 4) Inheritance Tax Rates on Inherited Property
(Unit: US\$)

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

〈Appendix 7〉 City Management Tax Rates

NO	Taxpayer	Tax Rates
1	Enterprise	0.5%
2	Individual	0.5%

〈Appendix 8〉 Motor Vehicle Tax Rates

NO	Description	Amount of Tax (in US\$)
1	Passenger cars (per unit/year)	40
2	Buses: (per unit/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 unit/year)	10
5	Special vehicles (per unit/year)	20

Labor Regulations for Kaesong Industrial Zone

Adopted by Decision No. 2
of the Presidium of the Supreme People's Assembly on September 18, 2003

Chapter I General Provisions

Article 1 (Mission)

These Regulations shall aim to provide strict guidelines for employing and managing the labor required by enterprises operating in the Kaesong Industrial Zone (the "KIZ"), thereby ensuring enterprises' business activities and satisfactory working and living conditions for their employees.

Article 2 (Subject of Application)

These Regulations shall apply to enterprises (including their branch offices, places of business, and offices) established in the KIZ and their employees.

Article 3 (Principle of Labor Employment)

Enterprises operating in the KIZ shall only employ citizens of the DPRK. If necessary, citizens of the South, overseas Koreans, or foreigners may also be employed as labor.

Article 4 (Guarantee of Working Conditions)

Each enterprise shall guarantee its employees safe, cultural, and 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 mobilized 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 Organ)

The KIZ management organ shall be responsible for supervising and controlling enterprises' employment and management of labor in the KIZ.

Chapter II Employment and Dismissal of Labor**Article 8 (Guarantor of Labor)**

The recruiting agency shall guarantee the supply of labor required by the enterprises operating in the KIZ. Each enterprise shall request such recruiting agency to supply the number of labor required by that enterprise.

Article 9 (Execution of Recruitment Agency Agreement)

Each enterprise requiring a supply of labor shall enter into a recruitment agency agreement with the recruiting agency, and such agreements shall be strictly adhered to by both parties. In such a case, the enterprise may select such labor as it requires by testing their skills and examining their character, or otherwise. The recruitment agency agreement shall provide the number,

gender, age, skills, terms of employment, level of wage, etc. of the labor to be employed.

Article 10 (Employment Contract)

Each enterprise shall confirm the monthly wage, duration of employment, working hours, etc. by agreement with the recruited worker and an employment contract shall be signed by the enterprise and the worker. A worker having entered into an employment contract with an enterprise shall become an employee of that enterprise.

Article 11 (Recruiting Agency's Fee)

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

Article 12 (Employment of Citizens of the South, Overseas Koreans, or Foreigners)

An enterprise, upon employment of a citizen of the South, overseas Koreans, or a foreigner, shall submit to the KIZ management organ a statement of employment stating the employee's name, gender, date of birth, place of residence, level of knowledge,³⁾ technical qualifications, type of job, etc. The KIZ management organ shall submit to the central industrial zone guidance organ a copy of the statement of employment.

Article 13 (Preparation and Implementation of Employment Regulations)

Each enterprise, in consultation with employees' representatives,

3) Korean original of this English translation is "지식정도"

may establish and implement labor rules that are binding on all of its employees. Such regulations shall outline working hours and breaks, standards for protection of labor, everyday rules,⁴⁾ standards for reward and disciplinary actions, etc.

Article 14 (Conditions for Dismissal)

An employee may be dismissed by the employer prior to expiration of the term of employment in the following cases:

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

Article 15 (Dismissal of Employees)

An enterprise intending to dismiss any of its employees shall provide thirty (30) day prior notice to the employee concerned. The enterprise shall submit a list of dismissed employees to the recruiting agency.

Article 16 (Insufficient Conditions for Dismissal)

No employee may be dismissed by the enterprise in the following cases:

4) Korean original of this English translation is "로동생활질서."

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1. The employee has been receiving medical care for work-related illness or injury that has occurred during work for a period of less than one (1) year;
 2. The employee has been receiving medical care due to a disease for a period not exceeding six (6) months;
 3. The employee 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 in the following cases:

1. Where the employee has a personal reason to quit work or engage in a different job;
2. Where the employee's job is not suitable for him/her and thus, the employee is unable to exercise his/her technical ability or skills to the fullest extent; or
3. Where the employee enters or is enrolled in school.

Article 18 (Procedure for Employee Resignation)

An employee intending to resign shall submit a letter of resignation to the enterprise at least seven (7) days prior to resignation. The enterprise may request, within thirty (30) days from the date of receipt of the resignation, the employee postpone his/her resignation to a later date. In such a case, the employee shall comply with the request, without special circumstances.

Article 19 (Severance Payment)

If an enterprise dismisses an employee who has worked for the enterprise for one (1) year or more, for reasons attributable to the enterprise, the enterprise shall pay severance payment to the

employee. Severance payment shall be calculated by multiplying the employee's average monthly wage for three (3) months⁵⁾ by the number of years of his/her service.

Chapter III Working Hours and Breaks

Article 20 (Working Hours)

The working hours applicable to employees employed by an enterprise operating in the KIZ 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 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 its employees work within the working hours set forth in the individual labor contract or labor rules. 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 Rest Breaks on Holidays and Public Holidays)

Each enterprise shall ensure that its employees receive rest breaks on all of the DPRK's holidays and public holidays. In case an enterprise has any of its employees work on a holiday or public

5) Translator's Note: Korean original of this English translation is "3개월 평균 월로임." Labor Regulations for Foreign-Invested Enterprises of DPRK, Legislation Press, Pyongyang 2006, also provides for "최근 3개월 평균 월로임액" in its Article 17. The intent of this provision appears to be the same as "the last three months".

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 labor. A pregnant female employee shall be granted maternity leave of sixty (60) days before childbirth and ninety (90) days thereafter.

Chapter IV Compensation for Labor

Article 24 (Labor Remuneration)

Labor remuneration shall include wage, additional allowance, bounty, and bonuses. Labor remuneration labor shall be accurately calculated by the enterprise, based on the performance⁶⁾ by each employee.

Article 25 (Minimum Monthly Wage)

The minimum monthly wage of each employee employed by an enterprise shall be US\$50 per month. The minimum monthly wage shall not be increased by more than five (5%) of that of the immediately preceding year. In order to increase the minimum monthly wage, the KIZ management organ shall reach an agreement with the central industrial zone guidance organ.

Article 26 (Setting Employees' Monthly Wage)

The monthly wage for employees shall not be set lower than the

6) Korean original of this English translation is "일한 실적에 따라."

minimum monthly wage. However, in the case of an employee of an enterprise currently at the stage of preliminary preparation for operation, the salary/wage of an apprentice or an unskilled laborer may be set at an amount no less than 70% of the minimum monthly wage.

Article 27 (Payment of Wage While on Leave)

An employee that is granted an annual leave or supplementary leave shall be paid by the enterprise the leave allowance corresponding to the number of days of leave. A female employee granted maternity leave before and after child birth shall be paid by the enterprise leave allowance corresponding to sixty (60) days.

Article 28 (Method of Calculating Leave Allowance)

Leave allowance shall be calculated by multiplying the average wage per day of the employee concerned by the number of days allowed for leave. The average wage 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 (Subsidy)⁷⁾

If an employee has not worked for a certain period due to mismanagement of the enterprise or their training, the enterprise shall pay to the employee subsidy equivalent to no less than sixty percent (60%) of his/her wage per day or hour, as the case may be, for such period of time. Subsidy shall not be paid for a period exceeding three (3) months, and social insurance premium and city management tax shall not be imposed on subsidy.

7) Korean original of this English translation is "생활보조금."

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 enterprise an allowance equal to 50% of his/her daily or hourly wage, as the case may be. If an enterprise had an employee work on any holidays or public holidays but failed to give compensatory day off, or if an enterprise had employees work overtime at night, the enterprise shall pay the employee an allowance equal to one hundred percent (100%) of his/her wage. The term "night work" shall mean any work performed 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 from the bonus fund to its employees who have excelled in fulfilling their duties.

Article 32 (Payment of Labor Remuneration)

Each enterprise shall pay labor remuneration in cash, directly to each of its employees. In such case, a bonus may be paid in commodities. If an employee has resigned or been dismissed by the enterprise before a pay day, the payment of labor remuneration to him/her shall be made after the procedure for handling his/her resignation/dismissal has been completed.

Chapter V Labor Protection

Article 33 (Guarantee of Safe Working Conditions)

An enterprise shall provide a work environment free of high temperatures, gases, dust, and noises and also guarantee healthy working conditions such as adequate lighting, illumination, and ventilation.

Article 34 (Protection of Female Labor)

A female employee who is more than six (6) months pregnant shall not be required to engage in any strenuous or hazardous work. The enterprise shall provide sufficient facilities for protecting the health of its female employee.

Article 35 (Operation of Daycare Centers and Kindergartens)

Each enterprise may establish and operate a daycare center and/or kindergarten for the children of its employees, taking into account existing circumstances.

Article 36 (Labor Safety Education)

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

Article 37 (Provision of Labor Safety Materials)

Each enterprise shall provide its employees, in a timely manner, with labor safety materials such as protective tools, labor necessities. Standards for the provision of labor safety materials shall be determined by the enterprise.

Article 38 (Removal of Industrial Hazards)

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

Article 39 (Measures for Handling Accidents)

If any employee has died or suffered an accident such as an injury

or intoxication while working, the enterprise shall promptly notify the Management Organ thereof. In such a case, the Management Organ shall report the same to the central industrial zone guidance organ. The central industrial zone guidance organ shall organize and undertake a review and investigation of the accident, in consultation with the Management Organ.

Chapter VI Social and Cultural Policies

Article 40 (Implementation of Social & Cultural Policies)

All employees who are citizens of the DPRK and employed by an enterprise operating in the KIZ and their family members are entitled to the 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, among others.

Article 41 (Establishment of Social & Cultural Policy Fund)

The expenditure required for implementing the aforementioned social and cultural policies shall be ensured by the social and cultural policy fund. The source of the social and cultural policy fund shall be the social insurance premiums to be collected from the enterprises 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 central industrial zone guidance

organ by the 10th of the immediately following month. As far as the social and cultural policies contemplated herein are concerned, no enterprise shall be under obligation other than making payment of the social insurance mentioned herein.

Article 43 (Payment of Social and Cultural Policy Fees)

Employees who are citizens of the DPRK shall set aside, for the social and cultural policy fee, a given portion of his/her wage for each month and pay the same to the bank designated by the central industrial zone guidance organ by the 10th of the immediately following month.

Article 44 (Use of Social & Cultural Policy Fund)

The order for using the social and cultural policy fund shall be determined by the central industrial zone guidance organ, in consultation with the Management Organ.

Article 45 (Use of Culture & Welfare Fund)

Each enterprise may establish and use a culture and welfare fund for its employees, from a portion of the net profits before tax. The culture and welfare fund shall be used to improve employees' technical and cultural levels, hold sports-related activities, operate welfare facilities, etc.

Chapter VII Sanctions and Dispute Settlement

Article 46 (Fines and Suspension of Operation)

The KIZ management organ may impose a fine in the amount of between US\$100 and US\$2,000 or otherwise suspend the operation of any enterprise that has violated these Regulations and, as a result, caused a grave result; provided, however, that

this shall apply in case where enterprise failed to remedy such violation despite prior warning.

Article 47 (Penalties for Late Payment of Social Insurance Premium)

If an enterprise fails to pay any of its social insurance premiums by the due date, a late payment penalty 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 the due date. Notwithstanding the foregoing, the aggregate late payment penalty shall not exceed fifteen percent (15%) of the amount of unpaid insurance premium.

Article 48 (Dispute Settlement)

Any difference in opinion related to labor issues between the parties concerned hereunder shall be settled in consultation between the parties. Any matters that cannot be settled through consultation between the parties concerned shall be settled through the labor arbitration procedure.

Article 49 (Settlement of Complaint)

Should any enterprise or its employees have an objection to sanctions 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 KIZ management organ or file a complaint to the central industrial zone guidance organ. Upon receipt of such objection or complaint, the KIZ management organ and the central industrial zone guidance organ shall investigate and handle the case within thirty (30) days from receipt thereof.

Regulations on Establishment and Operation of Kaesong Industrial Zone Management Organ

Adopted by Decision No.11
of the Presidium of the Supreme People's Assembly on December 11, 2003

Article 1 (Mission)

These Regulations shall aim to provide strict guidelines for establishing and operating the Kaesong Industrial Zone management organ of the Kaesong Industrial Zone (the "KIZ"), thereby enhancing its functions and roles.

Article 2 (Founder and Status of the KIZ Management Organ)

The KIZ management organ shall be established by the developer. The KIZ management organ shall be a juristic person dealing directly with affairs related to investment and business activities in the KIZ.

Article 3 (When to Establish the KIZ Management Organ)

The developer and the central industrial zone guidance organ shall determine in consultation with each other when to establish the KIZ management organ.

Article 4 (Status of Chairman)

The KIZ management organ shall have one chairman. The chairman shall represent the KIZ management organ and direct its overall business.

Article 5 (Appointment and Removal of Chairman)

The chairman shall be appointed and removed, in accordance with the relevant operating rules of the KIZ management organ. Notwithstanding the foregoing provision, the first chairman shall be appointed by the developer.

Article 6 (Organization and Determination of Number of Members)

The organizations of the KIZ management organ and the number of its members shall be determined by the chairman. The chairman shall determine the organization and number of members, taking into account the development plan of the KIZ and the degree of progress thereof.

Article 7 (Qualifications and Conditions for Membership in KIZ Management Organ)

Members of the KIZ management organ shall be appointed among those who have expertise, knowledge and business experience in each respective field. No person involved in any enterprise or other economic organization established in the KIZ shall be appointed as a member of the KIZ management organ.

Article 8 (Appointment and Removal of KIZ Management Organ Members)

Members of the KIZ management organ shall be appointed and removed by the chairman. The chairman shall submit to the central industrial zone guidance organ a list of the members so appointed or removed within three (3) days of the date of appointment or removal.

Article 9 (Requesting Members for KIZ Management Organ)

The chairman may request that the central industrial zone

guidance organ supply such members as required to organize the KIZ management organ. Upon receipt of such a request, the central industrial zone guidance organ shall provide, in a timely manner, a list of such members as requested by the chairman.

Article 10 (Official Seal and Stamp of KIZ Management Organ)

The KIZ management organ shall have an official seal and stamp. The specifications and form of the official seal and stamp shall be determined by the KIZ management organ, in consultation with the central industrial zone guidance organ.

Article 11 (Application for Registration of KIZ Management Organ)

Upon completion of the establishment of the KIZ management organ, the developer shall submit to the central industrial zone guidance organ an application for the registration of the KIZ management organ, which shall state its name, organization, number of members, etc.

Article 12 (Date of establishment and Registration of KIZ Management Organ)

The central industrial zone guidance organ shall register the KIZ management organ within five (5) days of receipt of the application for registration thereof. The date on which the KIZ management organ is registered shall be the KIZ management organ's date of establishment.

Article 13 (Duties of KIZ Management Organ)

The duties of the KIZ management organ shall as follows:

1. Creation of conditions for investment and inducement of investment;

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2. Approval of enterprise establishment and registration;
 3. Issuance of construction permits and inspections of completion of the construction;
 4. Registration of land-use rights, buildings, and vehicles;
 5. Support of enterprises' business activities;
 6. Management of infrastructure;
 7. Taking measures for environmental protection and fire prevention in the KIZ;
 8. Issuance of relevant certificates to personnel and means of transport into and from the South;
 9. Preparation of the operating rules of the KIZ management organ; and
 10. Other matters delegated by the central industrial zone guidance organ.

Article 14 (Annual Plan for KIZ Development)

The KIZ management organ shall prepare and implement its own annual plan to develop the KIZ. Such plan shall be based on the master development plan and the development plan by phase.

Article 15 (Business Relationship with DPRK's Government Agencies, Enterprises, or Organizations)

If the KIZ management organ intends to do business with any of the DPRK's government agencies, enterprises, or organizations in connection with development and operation of the KIZ, the KIZ management organ shall carry out such business through the central industrial zone guidance organ.

Article 16 (Organization and Operation of Meeting of Enterprise Representatives)

The KIZ management organ may organize and operate a meeting

comprising of representatives of the enterprises operating in the KIZ. Important matters arising out of or in connection with the development, operation, and maintenance of the KIZ and countermeasures thereagainst shall be discussed at such meeting.

Article 17 (Handling Opinions)

The KIZ management organ shall deal with any opinions that may be raised in connection with development, operation, and management of the KIZ in a timely manner.

Article 18 (Consulting and Reporting)

The KIZ management organ shall consult with the central industrial zone guidance organ in due course on important matters arising in the process of developing, operating and managing the KIZ. In addition, the KIZ management organ shall make a report on a quarterly basis to the central industrial zone guidance organ concerning its overall business.

Article 19 (KIZ Management Organ's Operation Funds)

KIZ management organ's operation funds shall be raised from its revenues, such as fees and commissions received. The level of fees and commissions shall be determined by the KIZ management organ.

Article 20 (Supplement of Inadequate Operation Funds)

In the case of a shortage of operation funds, the KIZ management organ may supplement such a shortage from the enterprises (including their branch offices, operation offices, offices and individual business operators). In this case, such supplement shall be equal to 0.5% of each enterprise's monthly payroll.

Article 21 (Formulation and Execution of KIZ Management Organ's Budget)

The KIZ management organ shall prepare and implement its own budget. The KIZ management organ shall submit to the central industrial zone guidance organ its annual statements of accounts by no later than the end of March of the immediately following calendar year.

Regulations on Entry and Exit, Stay and Residence in Kaesong Industrial Zone

Adopted by Decision No.12
of the Presidium of the Supreme People's Assembly on December 11, 2003

Article 1 (Mission)

These Regulations shall aim to provide strict guidelines for entry and exit, stay and residence in the Kaesong Industrial Zone (the "KIZ"), thereby serving to ensure convenience for the entry and exit of personnel and means of transport and to visitors and residents.

Article 2 (Subject of Application)

These Regulations shall apply to the South's personnel and means of transport entering into the KIZ from the South and exiting from the KIZ for the South. These Regulations shall also apply to overseas Koreans and foreigners, as well as their means of transport, entering the KIZ from the South and exiting from the KIZ for the South.

Article 3 (Entry and Exit Organ)

Affairs related to entry and exit, stay and residence, in the KIZ shall be the responsibility of the KIZ entry and exit organ. The KIZ management organ shall have a department to guarantee entry and exit.

Article 4 (Party to Carry out Formalities)

Formalities for entry and exit, stay and residence in, the KIZ shall

be carried out in person by the party concerned. The KIZ management organ, a host unit, or a representative of the party concerned may carry out such 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 Entry and Exit Routes)

Any vehicle transporting personnel shall enter or exit from the KIZ through the routes for entry and exit designated by the KIZ entry and exit organ. The KIZ entry and exit organ shall designate such entry and exit routes and give public notice thereof.

Article 6 (Procedure for Changing Entry and Exit Routes)

If the KIZ entry and exit organ intends to change the designated entry and exit routes, it shall consult with the KIZ management organ regarding the proposed change.

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

A person falling into any of the following categories shall not be allowed to enter, exit, stay or reside in the KIZ:

1. An international terrorist;
2. A drug addict or mentally-ill person;
3. A patient with a contagious disease or an individual coming from a region in which an outbreak of a contagious disease has occurred;
4. A person holding a forged certificate or one too damaged to be verified;
5. A person holding an expired certificate; or
6. A person who is prohibited from entering, exiting, staying or residing in the KIZ by the agreement.

Article 8 (Issuance of Pass)

Passes, businessmen certificates, tourist certificates and automobile passes shall be issued by the KIZ management organ. The KIZ management organ shall strictly observe the rules related to issuance of such certificates.

Article 9 (Notification of Details of Entry and Exit-related Certificates)

The KIZ management organ shall notify the KIZ entry and exit organ of the details of certificates it has issued in relation to entry and exit in a timely manner, so as not to cause any hindrance to the entry or exit of personnel and means of transport to and from the KIZ.

Article 10 (Entry and Exit of Personnel)

Personnel shall enter and exit from the KIZ, carrying a passport (only for those as agreed upon) or a certificate issued by the KIZ management organ and using a means of transport such as an automobile or train. A minor under 14 years of age may enter and exit from the KIZ, 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 exit from the KIZ, with a registration certificate of long-term stay and a resident registration certificate, respectively.

Article 11 (Entry and Exit of Means of Transport)

Each automobile shall enter and exit from the KIZ through the designated entry and exit routes, with the automobile pass issued pursuant to Article 8 hereof. Each train shall enter and exit from the KIZ according to the timetable agreed upon between the authorities concerned.

Article 12 (Inspection and Quarantine)

All personnel and means of transport entering or exiting from the KIZ shall be subject to entry and exit inspection, customs inspection, hygienic quarantine and quarantine for animals and plants at the routes for entry into and exit from the KIZ. The responsible inspection and quarantine agency shall conduct such inspections and quarantine in a scientific and timely manner so as not to adversely affect the safety of the KIZ and the business of arriving or exiting personnel.

Article 13 (Classification and Duration of Stay)

Any person entering the KIZ 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 validity period of his/her certificate.

Article 14 (Extension of Duration of Stay)

A person having entered the KIZ 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 KIZ entry and exit organ and obtain approval of such extension at least three (3) days prior to the end of his/her duration of stay.

Article 15 (Registration of Stay)

Each person that arrives in the KIZ shall register his/her stay with the KIZ entry and exit organ within forty eight (48) hours of arrival and receive confirmation on his/her certificate 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, gender, date of birth, nationality, occupation, place of residence, purpose and duration of stay, etc.

Article 16 (Exemption from Registration of Stay)

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

1. A person exiting from the KIZ within seven (7) days of the date of arrival;
2. A member of an international organization stationed in the South or a representative agency of a foreign country;
3. A tourist;
4. Any other person who is exempt from such registration by the agreement.

Article 17 (Registration of Residence)

A person who intends to stay in the KIZ for one year or longer shall register his/her residence with the KIZ entry and exit organ.

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

A person who intends to stay for a long-term or reside in the KIZ shall submit to the KIZ entry and exit organ 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 stay or residence, etc. The applicant shall also enclose four (4) color photos (3 x 4cm) of himself/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 KIZ entry and exit organ shall issue a registration certificate of stay or residence within seven (7) days of the date of receipt of the application.

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

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

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

A person who wishes to have the validity period of his/her registration certificate of stay or residence extended shall submit to the KIZ entry and exit organ an application for extension thereof at least seven (7) days prior to the end of its validity. The applicant shall have such application confirmed by the Management Organ prior to submission to the KIZ entry and exit organ. The KIZ entry and exit organ shall extend the validity period 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 Residence)

A person who resides in the KIZ may change his/her place of residence if necessary. A person who changes his/her place of residence shall register the same with the KIZ entry and exit organ

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 in the KIZ, a person who is a party to such an event shall register the event with the KIZ entry and exit organ by submitting an application for registration thereof and supporting documents evidencing the occurrence of the 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/stay registration certificate, certificate of passage, businessman certificate, tourist certificate, or automobile pass is damaged, soiled or lost, he/she shall report the same to the appropriate organ in a timely manner and have a new one issued.

Article 25 (Entry into and Exit from Areas outside KIZ)

A person who wishes to enter the territory of the DPRK outside the KIZ shall secure a visa. Visa applications shall be submitted to the KIZ entry and exit organ through the KIZ management organ.

Article 26 (Fees)

A person applying for issuance or re-issuance of a certificate of registration of stay or residence, extension of the validity thereof, or registration of a change in his/her place of residence shall pay the applicable fees. Such fees shall be determined by the KIZ entry and exit organ in consultation with the KIZ management organ.

Article 27 (Possession of Certificates)

A person staying or residing in the KIZ shall carry at all times

certificates confirming his/her identity.

Article 28 (Guarantee of Inviolability Rights of Person and Residence, and Confidentiality of Correspondence)

A person staying or residing in the KIZ shall be guaranteed the inviolable right to his/her person and residence and the right to confidentiality of correspondence. A visitor or a resident may not be detained or arrested, nor may his/her body or residence be searched, without legal grounds.

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

If a person who has stayed for a long-term or resided in the KIZ intends to return home after having concluded his/her business, he/she shall return his/her certificate of registration of stay or residence to the KIZ entry and exit organ.

Article 30 (Handling Matters not Stipulated)

Any matter related to entry and exit, stay and residence in the KIZ but not specifically stipulated herein shall be handled by the KIZ entry and exit organ and the Management Organ, in consultation with each other.

Customs Regulations for Kaesong Industrial Zone

Adopted by Decision No.13
of the Presidium of the Supreme People's Assembly on December 11, 2003

Chapter I General Provisions

Article 1 (Mission)

These Regulations shall aim to provide strict guidelines for dealing with the matters related to customs in the Kaesong Industrial Zone (the "KIZ"), thereby facilitating convenience for the transport of materials and the entry and departure of personnel and means of transport.

Article 2 (Subject of Application)

These Regulations shall apply to materials and mail being transported into and/or out of the KIZ, as well as to the means of transport thereof, by any of the enterprises (including developers) established in the KIZ and its branch office(s), operation office(s) or office(s) (hereinafter referred to as "Branch(es)") for the purpose of development, operation and management of the KIZ, or for the purpose of production and management activities. In addition, these Regulations shall also apply to any nationals of the South, overseas Koreans, or foreigners (hereinafter referred to as "Individuals") who enter the KIZ from the South or depart from the KIZ for the South.

Article 3 (Establishment of Customs)

The customs of the KIZ shall be established at the entry and exit

routes of the KIZ. The Customs may also be established at any place where it is convenient for enterprises to carry on business or for customs inspection or supervision to be exercised. Individuals, means of transport, materials, or mail shall be allowed to enter and exit the KIZ only by passing through a point where the customs has been established.

Article 4 (Reporting System of Materials Transported)

All materials being transported in or out of the KIZ shall be subject to a reporting system.

Article 5 (Customs Registration Requirements)

An enterprise or Branch shall be allowed to transport any materials related to its production and business activities in or out of the KIZ by first registering them with the customs.

Article 6 (Prohibited Articles)

Any articles likely to hinder the social security, development of the national economy, inhabitants' health, and environmental protection shall not be allowed to be transported in or out of the KIZ. Those articles prohibited from transportation in or out of the KIZ hereunder shall be specified in the Appendix attached hereto.

Article 7 (Principles for Exemption from and Imposition of Customs Duties)

No customs duties shall be imposed on materials being transported into or out of the KIZ and materials for outward processing by the DPRK's government agencies, enterprises, or relevant organizations. However, any materials brought into the KIZ from a foreign country and sold in the DPRK outside of the KIZ without first being processed, 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 KIZ management organ.

Article 9 (Application of Relevant Laws and Regulations)

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

Chapter II Procedures for Customs Registration and Formalities

Article 10 (Party to Undertake Customs Registration and Formalities)

The enterprise or its Branch concerned shall undertake the procedures for customs registration and formalities. If the circumstances require, the aforementioned procedures may also be undertaken by an agent of the enterprise or its Branch.

Article 11 (Deadline for Customs Registration)

Each enterprise and its Branch shall register with the customs within 20 days from the respective date of receiving approval of the establishment of the enterprise or its branch.

Article 12 (Submission of Application for Customs Registration)

Each enterprise or its Branch intending to register with the customs shall submit to the customs an application for the customs registration. Such application shall include copies of the enterprise's or Branch's certificate of registration, authorization, logo design, and other documents required by the customs.

Article 13 (Issuance of Customs Registration Certificate)

The customs shall issue a certification of customs registration to the applicant within seven (7) days of the date of receipt of the application thereof.

Article 14 (Notification of Change in Business Type)

If the KIZ management organ has approved any change in the business type of any enterprise, it shall advise the customs thereof in a timely manner.

Article 15 (Registration of Means of Transport)

Means of transport (excluding railway vehicles) that run frequently between the KIZ and the South shall register with the customs. The means of transport registered with the customs hereunder shall be exempt from the customs procedures.

Article 16 (Application for Registration of Means of Transport)

An enterprise, Branches, or an individual intending to register any means of transport shall submit to the customs an application for registration thereof. Such application shall specify the license plate number, model, type, year of manufacture, engine displacement, carrying capacity or passenger capacity, purpose of operation, route, and validity period of the means of transport.

Article 17 (Issuance of Registration Certificate for Means of Transport and Extension of Validity Period)

The customs shall register and issue to the applicant a certificate of registration for means of transport, within three (3) days of the date of receipt of the application for registration thereof. The validity period of the certificate of registration for means of transport may be extended.

Article 18 (Filing a Report of Materials to be Transported)

An enterprise, its Branch, or an individual intending to transport any materials into or out of the KIZ shall file with the customs a report concerning such materials which shall specify the materials' name, quantity, specifications, price, place of origin, destination, consignor, and shipper. Such a report may also be filed through a computer network.

Article 19 (Report of Materials for Outward Processing)

If an enterprise or its Branch intends to entrust any of the DPRK's organizations, enterprises, or groups to process materials, it shall file with the customs a report concerning the materials to be transported for outward processing. Such report shall specify the description of materials, quantity, specifications, price, outward processing cost, consignor, consignee, and period and place of outward processing.

Article 20 (Declaration of Materials Transported by Train)

With respect to materials transported by train, the railway station concerned located in the KIZ shall take responsibility for the customs declaration. Upon arrival of the train, the railway station shall immediately submit to the customs such documents as baggage claim tickets, train classification cards, waybills, and packing lists.

Article 21 (Declaration of Mail)

With respect to incoming mail from the South or other countries, the KIZ Post Office shall declare customs. With respect to outgoing mail to the South or other countries, the sender (an enterprise or Branch or an individual) or its representative shall make customs declaration.

Article 22 (Declaration of Personal Effects)

Each individual shall declare his/her personal effects to customs, if any. The declaration of customs 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 KIZ without any declaration of customs. However, precious metals and jewelry must be declared at customs in order to be carried in or out.

Chapter III Customs Inspection and Supervision**Article 24 (Authority for Customs Inspection and Supervision)**

Customs shall perform the customs inspection and supervision of materials, mail, individuals' personal effects being carried in or out of the KIZ and means of transport arriving in and departing from the KIZ.

Article 25 (Point of Inspection of Transported Materials)

The customs inspection of materials being transported in or out shall be made at the point of arrival or departure thereof. However, in the case of bulk materials in small volume or if the package is unsealed, such inspection may also be made at the entrance to the customs.

Article 26 (Method of Inspecting Transported Materials)

The customs inspection of materials being transported in or out shall be conducted by comparing either a portion or all of the materials with the relevant customs declaration when they are loaded onto or unloaded from the means of transport.

Article 27 (Inspection of Mail)

The customs inspection of mail shall be conducted at a 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 KIZ any mail that has yet to be inspected by the 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 conducted 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 personal effects. The customs may omit any customs inspection regarding an individual's personal effects at the request of the KIZ management organ.

Article 29 (Point of Inspection for Means of Transport)

Customs inspection of a means of transport shall be conducted at the entrance to customs, located on the relevant road or railway. Once a means of transport has arrived at the entrance to the customs, it shall not be permitted to leave the customs controlled area without customs' approval.

Article 30 (Supervision over Transportation of Materials)

The customs shall exercise supervision over the transportation of materials between the entrance to the customs and destinations, or between places of origin and the entrance to the customs.

Article 31 (Inspection of Materials in Intermediate Transportation and Materials in Customs Transit)

Customs inspection shall be omitted with respect to any materials

under intermediate transportation or those in customs transit. Nevertheless, if any accident occurs, or any prohibited article is deemed to be included among them, such materials may be subject to customs inspection.

Article 32 (Means of Transport for Materials Taken In and Out of KIZ)

Materials transported by an enterprise, Branch, or individual shall be in containers or placed in vans. Nevertheless, any materials transported in bulk or in small volume may be transported using means of transport other than containers or vans.

Article 33 (Cooperation with Inspection and Supervision)

The Management Organ, enterprises, Branches and individuals concerned 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 and operated in the KIZ. 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)

Materials other than bonded materials shall not be stored in any bonded exhibition areas, or bonded warehouses. The transportation of bonded materials as well as the re-labeling of packages, sorting or repackaging of any bonded materials in any bonded factory shall be carried out under the supervision of customs.

Chapter IV Customs Duties and Fees

Article 36 (Issuance of Notice of Customs Duties)

Customs shall issue a notice of customs duties to the enterprise or Branch on which customs intends to impose customs duties.

Article 37 (Standard Prices for Customs Duties and Calculation)

The standard price for assessing customs duties in the KIZ shall be the price of the materials in question upon their arrival in the KIZ. The customs duties shall be calculated in accordance with tariff rates then in effect.

Article 38 (Payment of Customs Duties)

An enterprise or its Branch having received a notice of custom duties shall pay the customs duties to the designated bank. In such case, such enterprise or its Branch shall receive a certificate of payment of customs duties from the bank and submit the same to the customs.

Article 39 (Refund and Additional Assessment of Customs Duties)

An enterprise or its Branch that has overpaid any customs duties shall be entitled to request that the 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, the 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 materials on which the customs duties imposed were less than required, the customs may assess additional customs duties as required within one (1) year of the date of customs clearance of the materials 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 fees shall be determined by customs and the KIZ management organ, in consultation with each other.

Chapter V Sanction and Complaint

Article 41 (Detainment and Imposition of Penalties)

The customs may detain any materials being transported, any means of transport, or any individuals' personal effects that violate any provision of these Regulations. Furthermore, penalties may be imposed to those who have knowingly violated these Regulations.

Article 42 (Confiscation)

Prohibited or smuggled articles shall be confiscated. In addition, the means of transport used in an act of smuggling may also be confiscated.

Article 43 (Complaints and Deadline for Settlement)

An enterprise or individual with an objection to any customs-related affair related hereunder may register a complaint with customs. Upon receipt of such complaint, the customs shall handle the case within 15 days of receipt thereof.

Appendix 1. Articles Prohibited from Entry into KIZ

- 1) Firearms, bullets, explosives (excluding blasting powders, detonators, lamp wicks, detonating fuses, etc. that have been permitted for use in developing the KIZ), 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 or 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 KIZ, by mutual agreement between the authorities concerned.

Appendix 2. Articles Prohibited from Being Transported out of KIZ

- 1) Firearms, bullets, explosives, military supplies and weapons.
- 2) Deadly poisons, violent toxins, drugs and radioactive or toxic chemicals.
- 3) Historic relics.

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- 4) Documents classified as confidential, publications (including duplicates) or their manuscripts, films, photographs, recorded tapes, records, and magnetic tapes.
 - 5) Articles prohibited from being transported out, by mutual agreement between the authorities concerned.

Regulations on Management of Foreign Currency for Kaesong Industrial Zone

Adopted by Decision No. 16
of the Presidium of the Supreme People's Assembly on February 25, 2004

Article 1 (Mission)

These Regulations shall aim to provide strict guidelines for management of foreign currencies in the Kaesong Industrial Zone (the "KIZ"), thereby facilitating the circulation of foreign currencies.

Article 2 (Subject of Application)

These regulations shall apply to those enterprises and individuals using foreign currencies in the KIZ. The term "enterprise" shall include any enterprise, branch office, place of business, office, or individual business operator operating in the KIZ. The term "individual" shall include any citizens of the South, overseas Koreans, or foreigners staying or residing in the KIZ.

Article 3 (Authorities for Foreign Currency Management)

Management of foreign currencies in the KIZ shall be the responsibility of the KIZ management organ. However, the DPRK's revenues in foreign currencies shall be managed by the central industrial zone guidance organ.

Article 4 (Scope of Foreign Currency)

The term "foreign currency" shall include:

1. Convertible foreign currency in cash;
2. Securities, such as bonds and stocks, denominated in convertible

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- foreign currencies;
3. Means of payment, such as notes, checks and certificate of deposits, denominated in convertible foreign currencies; and
 4. Precious metals, such as gold, silver, platinum, osmium and iridium, excluding ornaments.

Article 5 (Type of Currencies in Circulation and Base Currency)

In the KIZ, convertible foreign currencies in cash shall be circulated. The type of currencies in circulation as well as the base currency shall be determined by the KIZ management organ, in consultation with the central industrial zone guidance organ.

Article 6 (Exchange Rates)

The exchange rates applicable to currencies in circulation shall be in accordance with the exchange rates prevailing in international financial markets, which the KIZ management organ selected, in consultation with the central industrial zone guidance organ.

Article 7 (Opening a Foreign Currency Account by Enterprises)

Each enterprise shall open a foreign currency account with a bank established in the KIZ. Each enterprise may freely 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 bank⁸⁾ established in the KIZ may engage in the business of foreign exchange and other financial services.

8) Translator's Note : Korean original of this English translation is "투자은행." However it appears that this means just "commercial bank" rather than "Investment Bank". Maybe this word comes from "foreign-invested bank."

However, the investment bank shall not engage in any foreign exchange business that involves the DPRK Won.

Article 9 (Submission of Report of Deposit and Withdrawal of Foreign Currencies)

The investment bank established in the KIZ shall prepare on a semi-annual basis a report on the deposit and withdrawal of foreign currencies for each account, and submit the same to the KIZ management organ no later than the 30th day of the month immediately following the last month of each half-year.

Article 10 (Services of the DPRK's Foreign Exchange Bank)

The DPRK's foreign exchange bank established in the KIZ shall be responsible for management of payments such as taxes, land-use fees, and social insurance premiums and settlement of accounts in foreign currencies or other transactions involving foreign currency that are related to the DPRK's government agencies, enterprises, 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 Bank Account outside KIZ)

If an enterprise intends to open a foreign currency account with a bank located in the South or a foreign country, it shall file with the KIZ management organ 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 KIZ shall prepare on a semi-annual basis a statement detailing the deposit and withdrawal of foreign currencies for each account, and submit the same to the KIZ management organ no 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 settlement. In such 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 KIZ, without restrictions.

Article 16 (Carrying Foreign Currencies In or Out)

An enterprise or individual may carry foreign currencies into the KIZ and carry them out to the South or any other country, without restrictions. In such case, foreign currencies 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 KIZ foreign currencies legitimately received or earned, including profits and

wages. In such case, no tax shall be imposed on such foreign currencies.

Article 18 (Sanction)

In the event of any material violation of these Regulations, the party concerned may be subject to fines or suspension of bank transactions.

Advertising Regulations for Kaesong Industrial Zone

Adopted by Decision No.17
of the Presidium of the Supreme People's Assembly on February 25, 2004

Article 1 (Mission)

These Regulations shall aim to provide strict guidelines for advertising and related matters in the Kaesong Industrial Zone (the "KIZ"), thereby facilitating economic activities.

Article 2 (Definitions)

As used in these Regulations:

1. The term "Advertising" or "Advertisement" means the act of publishing information related to production, sales, services, recruitment and so forth, by using advertising materials;
2. The term "Advertising material" indicates the means for conveying the content of advertisements or a facility for displaying the same;
3. The term "Sponsor" means an enterprise, individual, or economic organization that intends to place an advertisement;
4. The term "Advertising business" means a business specializing in advertising activities, such as design, production, installation, and maintenance of advertising materials; and
5. The term "Advertising agency" means an enterprise, branch office, or place of business engaged in advertising business.

Article 3 (Parties to Advertising and Advertising Business)

Every enterprise, individual or economic organization may freely

conduct advertising and, if necessary, engage in advertising business.

Article 4 (Authorities for Control of Advertising Business)

The KIZ management organ shall have the authority to control advertising business and related affairs in the KIZ.

Article 5 (Advertising Business Agreement and the Approval of Advertising Business)

Any person who wishes to engage in advertising business in the KIZ shall first enter into an agreement with the developer and then obtain the approval of advertising business from the KIZ management organ. The procedure for obtaining approval shall be determined by the KIZ management organ.

Article 6 (Qualifications for Advertising Agency)

In order to carry out its business activities, an advertising agency shall carry out its business activities equipped with sufficient experts and facilities that may be required to plan, design, produce, install, and maintain advertisements.

Article 7 (Means of Advertising)

Advertisements shall utilize billboards, electronic billboards, signboards indicating services and booklets. If necessary, advertisements may be placed on the Internet or other similar 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 accurately detail the sponsor's name, the advertising agency's name, the form,

applicable rules and quantity of adverting material, place of installation, duration of display, and advertising costs 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 South and the DPRK;
2. Advertisements of a decadent nature;
3. False advertisements;
4. Advertisements concerning any materials or services whose production, sale and offer are prohibited; or
5. Advertisements that malign or make unreasonable comparisons to other enterprises, materials, or services.

Article 10 (Ensuring Accuracy of Advertisements)

A sponsor that intends to place an advertisement for any materials 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 language or any other language, in which case the KIZ management organ may require the sponsor to submit a Korean translation thereof.

Article 12 (Consent to Use Third Party's Name, Building, Facility or Site)

A sponsor or advertising agency that intends to use a third party's name and the like 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 a different enterprise, individual, or economic organization, shall obtain the consent of the owner or manager 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 KIZ management organ. If a sponsor or advertising agency intends to install any outdoor advertising material, an application specifying the form, specifications, content, and place of installation, the duration of display, etc. shall be submitted to the KIZ management organ for installation of an outdoor advertising material.

Article 14 (Approval or Rejection of Application for Installation of Outdoor Advertising Materials)

Upon receipt of an application for installation of outdoor advertising material, the KIZ management organ shall review and approve or reject the application within seven (7) days of receipt thereof. In the event of rejection, the KIZ management organ 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 KIZ management organ, in consultation with the central industrial zone guidance organ. Those advertising materials shall be installed after filing a report with the KIZ management organ.

Article 16 (Areas Where Installation of Outdoor Advertising Materials Is Prohibited)

No outdoor advertising materials shall be installed in areas

containing revolutionary historic relics, protection area of historic relics, areas of scenic beauty, and areas specially protected for being a natural environment, or other places that may adversely affect the use of public notice facilities 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, or duration of display of an advertising material already installed with the approval of the Management Organ, it shall re obtain approval of the KIZ management organ with respect to the modification. In such case, the sponsor or advertising agency shall submit to the KIZ management organ an application for modification of outdoor advertising material specifying the reason for such modification.

Article18 (Guarantee of Cultural Nature of Outdoor Advertising Materials)

A sponsor or advertising agency shall install outdoor advertising materials in a civilized and artistic manner and shall be responsible for their maintenance and repair.

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 such outdoor advertising material and restore the area in which it was installed to its original condition within seven (7) days from the expiry.

Article 20 (Fees)

The KIZ management organ may charge certain fees in connection

with its approval of the advertising business and installation of outdoor advertising materials. The amount of such fees shall be determined by the KIZ management organ.

Article 21 (Treatment of Advertisements Violating Regulations)

If any advertisement is in violation of these Regulations, the KIZ management organ shall take necessary action in a timely manner to ensure that the defects of such advertisement are corrected, or that relevant outdoor advertising materials are removed. Any 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 (Sanction)

In the event of any material violation of these Regulations, the party concerned may be subject to sanctions such as suspension of advertising, revocation of approval of advertising business, and imposition of fines, etc., depending on the circumstances involved.

Real Estate Regulations for Kaesong Industrial Zone

Adopted by Decision No. 33
of the Presidium of the Supreme People's Assembly on July 29, 2004

Chapter I General Provisions

Article 1 (Mission)

These Regulations shall aim to provide strict guidelines for acquisition of and transactions concerning real estate in the Kaesong Industrial Zone, thereby facilitating 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 Kaesong Industrial Zone (hereinafter referred to as the "KIZ"). 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 KIZ from outside of the KIZ.

Article 3 (Definitions)

As employed in these Regulations:

1. The term "enterprise" means an enterprise, its branch office, operation office, or office engaging in economic activities in the KIZ;
2. The term "individual" means a citizen of the South, overseas

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- Koreans, or a foreigner who is engaged in economic activities or residing in the KIZ;
3. The term "real estate" means land-use rights and buildings, including any other objects attached thereto;
 4. The term "land lease period" means the period during which land-use rights may be exercised in accordance with the relevant lease contract;
 5. The term "sale in lots" means the act of dividing real estate by use and transferring the same to enterprises or individuals;
 6. The term "transfer" means the act of handing over real estate to a third party in the form of sale, exchange, gift, or inheritance;
 7. The term "sale" means the act of transferring real estate to a third party for compensation;
 8. The term "exchange" means the act of exchanging real estate between parties and settling the difference in prices;
 9. The term "gift" means the act of transferring real estate to a third party without compensation;
 10. The term "inheritance" means the transfer of ownership interest or leasehold right to real estate to one or more heirs without compensation in case where the owner or lessee of the real estate has died;
 11. The term "lease" means the act of lending real estate to a third party for a given period;
 12. The term "registered leasehold rights" means the rights of the duly registered lessee; and
 13. The term "mortgage" means the act of providing real estate, or a registered leasehold right, to a third party as security for debts.

Article 4 (Scope of Land-Use Rights and Ownership of Buildings)
Each enterprise and individual shall be entitled to acquire land-

use rights or acquire buildings in the KIZ. As used herein, the term “land-use rights” shall not include any natural resources and deposits existing on or under the land.

Article 5 (Authorities for Administration)

The KIZ management organ shall have the authority to administer registration, acquisition, transfer, lease, and mortgaging of real estate in the KIZ.

Chapter II Acquisition of Real Estate

Article 6 (Signing of Land Lease Contract)

The developer shall enter into a land lease contract with the central industrial zone guidance organ by each development phase. The land lease contract shall accurately state the location, area, use, lease period, amount of rent for the land, causes for cancellation, etc. of said contract.

Article 7 (Issuance of Certificate of Land-Use Rights and Acquisition Date of Land-Use Rights)

Within fourteen (14) days of the date of signing a land lease contract, the central industrial zone guidance organ shall deliver to the developer a certificate of land-use rights issued by the relevant organ. The date of receipt by the developer of such certificate of land-use rights shall be the effective date of the developer’ ownership of said land-use rights.

Article 8 (Calculation of Lease Period)

The lease period with respect to land shall be calculated from the date on which the developer receives the relevant certificate of land-use rights. However, in the event that such certificate of land-

use rights has been issued and delivered to the developer prior to signing the relevant land lease contract, the lease period shall be effective from the signing date of said contract. The central industrial zone guidance organ may extend the land lease period by a period equal to the construction period reflected on the KIZ development plan by phase.

Article 9 (Registration of Real Estate)

The KIZ management organ shall accurately register rights and obligations of the developer, enterprises or individuals with respect to real estates by each building and each land-use right. The rules applicable to registration of real estate shall be established and enforced by the KIZ management organ.

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 the developer in accordance with the approved master development plan. The developer shall set the prices for such sale in lots and rents for lease in a reasonable manner, based on relevant development costs.

Article 11 (Third party Ownership of Land-Use Rights and Its Validity)

The rights to use land located in the KIZ may be acquired and owned either through sale in lots or transfer. In such case the land-use rights so acquired shall remain valid for the rest of the land lease period, as of the date of the sale or transfer.

Article 12 (Submission of Application for Registration of Land-Use Rights)

A person who has acquired land-use rights shall submit to the KIZ management organ an application for registration thereof

within fourteen (14) days of the date of signing the relevant contract or of a date specified in the relevant 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 agreement or transfer agreement. Within seven (7) days of receipt of such an application, the KIZ management organ shall review and issue a certificate of land-use rights registration to the applicant.

Article 13 (Registration of Change in Title to Land Not Available for Sale in Lots)

With respect to land unavailable for sale in lots, such as roads and parks, the developer shall make registration of a change in title with the KIZ management organ. From the date of such registration of title change, the land-use rights for such land shall be held by the KIZ management organ.

Article 14 (Duties of Holders of Land-Use Rights)

Holders of land-use rights shall utilize the land in accordance with its intended purpose and actively protect said land.

Article 15 (Imposition of and Exemption from Rents for Lease of Land)

Rents for lease of land shall be imposed on the holder of the rights to use said land, from the lease year beginning on the day ten (10) years after the date of signing of the relevant land lease contract between the central industrial zone guidance organ and the developer. The amount of rents shall be determined by the central industrial zone guidance organ and the KIZ management organ, in consultation with each other. No rent shall be imposed on the developer.

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 central industrial zone guidance organ intends to revoke land-use rights on any land for unavoidable reasons, such as for public interest or any other similar reason, the central industrial zone guidance organ shall give one (1) year prior notice thereof to the party concerned and appropriately compensate for the remainder of the lease period or provide in exchange other land on the same terms. In such 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 certificate of land-use rights, or certification of land-use rights registration, to the central industrial zone guidance organ through the KIZ management organ within ten (10) days from the expiration date of the land lease period. A person that has returned the certificate of land-use rights, or certificate of land-use rights registration, shall restore 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; or if such land-use rights have been revoked for unavoidable reasons, such as for public interest or if an application for extension of the land-use period has been rejected by the central industrial zone guidance organ.

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 case, the land-use rights holder shall enter into a land lease contract with the central industrial zone guidance organ and receive a new certificate of land-use rights at least six (6) months prior to expiry of the land lease period. The central industrial zone guidance organ 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 public interest. If the central industrial zone guidance organ has rejected an application for extension of the land-use period, the central industrial zone guidance organ shall appropriately compensate 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 right to the building site.

Article 20 (Method of Acquiring Building Ownership)

The ownership of a building may be acquired through either newly constructing a building, sale in lots or transfer of the building.

The date to acquire the ownership of a newly constructed building shall be the date the building passes the inspection for completion of the construction. In the case of an existing building that was sold in lots or transferred, the date to acquire the ownership shall be the date when it is registered with the KIZ management organ.

Article 21 (Conditions for Building Construction)

A person who intends to construct a building shall have the land-use rights or registered leasehold right to the land in question,

in which case, the registered leaseholder shall obtain written consent from the land-use rights holder.

Article 22 (Registration of Building Ownership)

A person that has constructed a new building shall submit to the KIZ management organ an application for registration of ownership of the building within fourteen (14) days from the date of the inspection for completion of the construction. In such case, the application shall be accompanied by the certificate of inspection for completion of the construction, the certificate land-use rights registration or certificate of leasehold registration. A person that has acquired a building through either sale in lots or transfer of the building shall submit to the KIZ management organ an application for registration of ownership of the building within fourteen (14) days of the signing date of the relevant contract or of a date specified in the contract. In such a case, said application shall be accompanied by the copy of the contract, and the certificate of land-use rights registration or certificate of leasehold right registration.

Upon receipt of an application for registration of building ownership, the KIZ management organ shall review the same and issue a certificate of building ownership registration within seven (7) days from the date of receipt thereof.

Chapter III Transfer, Lease and Mortgage of Real Estate

Article 23 (Method of Transfer, Lease and Mortgage)

A person 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, in the period of use. A registered leaseholder of real estate may mortgage its registered leasehold.

Article 24 (Principles for Transfer, Lease and Mortgage)

A person who is involved in a transfer, lease, or mortgage of real estate in the KIZ shall comply with the principles of fairness and good faith.

Under no circumstances shall any allowances be made for acts detrimental to public interest, such as engaging 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 KIZ management organ. Every transferee, lessee, and mortgagee of real estate shall submit an application to the KIZ management organ for registration of such transfer, lease, or mortgage within fourteen (14) days from the date of occurrence of transfer, lease, or mortgage. The transferor, lessor and mortgagor 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 right 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 ceases to exist, the transferee, lessee or mortgagee concerned shall complete the appropriate formalities within fourteen (14) days from the date of termination of such cause. In such case, the respective transferor, lessor or mortgagor 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 from the date of termination of such cause.

Article 27 (Transfer, Lease and Mortgage of Concurrently Owned Land-Use Rights and Buildings)

If a person that possesses both land-use rights and building ownership intends to transfer, lease, or mortgage either its land-use rights or the building, the building ownership or land-use rights, as the case may be, shall also be transferred, leased, or mortgaged at the same time. In such case, the land-use rights and building ownership shall be registered with the KIZ management organ 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 from 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 from the date when he/she becomes aware of the fact.

Article 29 (Causes for Prohibition of Cancellation of Transfer, Lease or Mortgage)

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.

Article 30 (Transfer of Real Estate)

A person that has acquired real estate may transfer the same to a third party. A contract must be signed by the parties concerned for a transfer by sale and purchase, exchange, or gift.

Article 31 (Purchase and Sale of Real Estate)

Real estate may be purchased and sold by means of negotiations, tender, auction, etc. A person who intends to purchase or sell real estate by means of tender or auction shall give public notice, in advance, of the procedure and method for the proposed tender or auction.

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 case, obligations shall be transferred to his/her 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. However, 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 he/she has 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 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 they 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 provided 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 reasons attributable to the lessee, the lessor may have the lessee bear the costs incurred for such repair. If it is necessary to repair a building, the lessee shall inform the lessor thereof and shall take necessary measures to prevent any damage. The lessee may request the lessor to reimburse the costs incurred by him/her for any building repairs that were not his/her responsibility.

Article 39 (Lessor's Right to Cancel Lease Contract)

In the case where the lease period is not 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 become effective 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. With the exception of cancellation under Article 40 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 following situations:

1. The real estate is unavailable for the use set forth in the lease contract, due to a reason attributable to 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, without any cause attributable to the lessee; 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. When 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 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 Organ for auction of the real estate. The KIZ management organ may pay to the registered leaseholder the applicable leasehold deposit out of the proceeds from such auction

of the real estate in question. In such case, if a mortgage has already been established on said real estate at the time of application for auction, proceeds from the auction shall be distributed to the lessee and mortgagee(s) in the order of their registration.

Article 45 (Creation and Disposal of Mortgage)

A person that owns real estate or a registered leasehold may mortgage such real estate or registered leasehold in order to secure its or a third party's debt 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 debt amount, schedule for debt payment, interest and time for payment thereof, and the mortgage coverage.

Article 46 (Subordinate Mortgage)

A mortgager may remortgage 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 notify the lessee of the cause thereof in a timely manner.

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 take 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 reduced value.

Article 50 (Extent of Exercising Mortgage)

A mortgage may be exercised against any insurance benefits or compensation for 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 inform the payer the benefits or compensation for damages of the relevant rights and the content of the applicable mortgage agreement with confirmation from the KIZ management organ, before the payer makes any payment, in order to receive such benefits or damages from the payer.

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 KIZ management organ for the auction of a mortgaged object if the debtor fails to pay its debts within the debt repayment period, or if the debtor passes away prior to expiration of the debt payment period and

the debtor does not have any heirs. The KIZ management organ shall dispose of the mortgaged object in an equitable manner.

Article 53 (Distribution of Proceeds from Disposal of Mortgaged Object)

If the KIZ management organ disposes of a mortgaged object according to the mortgagee's application, it shall first pay the prescribed priority deductibles, such as taxes, fees, and expenses for the 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 any portion of proceeds remains after such distribution, it shall be given to the mortgager. 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 Auction)

If any real estate has been acquired through auction, 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 (Registration Fees of Real Estate)

The KIZ management organ 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 KIZ management organ.

Chapter IV Sanctions

Article 56 (Punishment for Extraction of Natural Resources and Deposits)

If a person has illegally extracted any natural resources or deposits existing on or under the land, or earned any unjust income as a result, it may be subject to the imposition of fines.

Article 57 (Punishment for Violation of Land-Use Procedure)

If a person changes the use of land without approval, utilizes land beyond the prescribed area, fails to protect land properly, utilizes land without a certificate of land-use rights registration, or transfers or mortgages land without registration, it may be subject to the imposition of fines.

Article 58 (Punishment for Violation of Procedure for Registration, Transfer, Lease and Mortgage of Buildings)

If a person has transferred, leased or mortgaged buildings without registration of said buildings, it may be subject to the imposition of fines.

Insurance Regulations for Kaesong Industrial Zone

Adopted by Decision No. 35
of the Presidium of the Supreme People's Assembly on September 21, 2004

Article 1 (Mission)

These Regulations shall aim to provide strict guidelines for conducting insurance business in the Kaesong Industrial Zone, thereby providing stability for enterprises' activities and the daily lives of residents and visitors therein.

Article 2 (Subject of Application)

These Regulations shall apply to enterprises and their branch offices, operation offices, and offices (hereinafter referred to as "juristic person") established in the Kaesong Industrial Zone (hereinafter referred to as "KIZ"). These Regulations shall also apply to citizens of the South, overseas Koreans, and foreigners (hereinafter referred to as "individual(s)") who are staying or residing in the KIZ.

Article 3 (KIZ Insurance Company)

In the KIZ, insurance business shall be conducted by the KIZ insurance company. The KIZ insurance company shall be designated by the central industrial zone guidance organ.

Article 4 (Establishment of Branch Offices and Offices)

The KIZ insurance company may establish branch offices or offices in the KIZ to engage in the insurance business.

Article 5 (Principle of Insurance Business)

A juristic person or individual that intends to take out any insurance shall purchase an insurance policy from the KIZ insurance company (hereinafter referred to as “insurer”).

Article 6 (Subject of Mandatory Insurance)

It is mandatory for every juristic person 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. Death, bodily injury or property damage of a third party due to a gas-related accident;
3. Death or bodily injury of a person or damages to other property due to an automobile accident; 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 juristic person or individual that intends to take out insurance (hereinafter referred to as “insured”). The insurer may execute such an insurance contract through an insurance agent. Insurance contracts shall be 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 insured objects, insured value

or amount, policy period, type of insurance coverage, etc.

Article 9 (Conclusion of Insurance Contract)

The insurance contract shall be 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 (Effective Time 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 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 for the benefit 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 continues to fail paying 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 any change occurs in the insured risks within the policy period, the insured shall notify the insurer thereof in a timely manner. If the insured risks or the insured amount has increased, the insurer shall charge the insured an additional insurance premium corresponding to the increase in 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 object is kept and maintained by the insured and also request the insured to eliminate any shortcomings revealed in the course of such investigation, if any.

Article 16 (Notice of Insured Accident)

Upon the occurrence of any insured accident, 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 insured accident arises, the insured shall take appropriate measures to prevent any increase in damages. The insurer shall bear and pay all reasonable expenses incurred by the insured to prevent any increase in damages.

Article 18 (Appraisal of Insured Accident)

Upon occurrence of an insured accident, 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 relevant qualifications.

Article 19 (Submission of Claim for Damages)

If an insured accident 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 notify the insurer of the reason why.

Article 20 (Deadline for Payment of Insurance Proceeds)

Damages under the insurance policy shall be paid within thirty (30) days from 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 Compensation for Damages under Liability Insurance Policy)

If the insured of liability insurance 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 insured accident has been caused by a third party, the insured shall secure 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 an insured accident to occur or makes a false report on the occurrence of an accident and raise insurance claims; or
5. Any other justifiable grounds for cancellation exist.

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 conduct insurance business again, due to an unavoidable reason;

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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 insured accident shall be two (2) years from 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 that arise in relation to an insured accident shall be settled by negotiation between parties to the insurance contract. 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 North and the South.

Article 28 (Treatment pursuant to Insurance Policy)

All matters that are not specifically stipulated in these Regulations shall be handled in accordance with the relevant insurance policy.

Accounting Regulations for Kaesong Industrial Zone

Adopted by Decision No. 58
of the Presidium of the Supreme People's Assembly on June 28, 2005

Chapter I General Provisions

Article 1 (Mission)

These Regulations shall aim to provide strict guidelines for the accounting treatment and preparation of accounting documents by the enterprises operating in the Kaesong Industrial Zone (the "KIZ"), thereby ensuring the objectivity and reasonableness of accounting treatment and further improve the management of enterprises.

Article 2 (Subject of Accounting)

Each of the enterprises registered with the KIZ management organ shall be required to conduct financial accounting and reporting activities. In addition, an enterprise's branch office or place of business or an individual business operator 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 (hereinafter referred to as the "Qualifying Enterprise(s)"), shall also be required to conduct financial accounting and reporting activities.

Article 3 (Accounting Work)

The accounting work for a Qualifying Enterprise shall be carried

out by accounting staff members, such as accountants, counters and cashiers. A Qualifying Enterprise whose accounting workload is not very heavy may outsource its accounting work to an audit office.

Article 4 (Accounting Currency and its Unit)

The currency used for accounting in the KIZ 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 a Qualifying Enterprise's economic transactions.

Article 5 (Fiscal Year)

The fiscal year applicable to Qualifying 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 its business operation and end on December 31 of the same year. The last fiscal year of a Qualifying 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 Korean. If necessary, such documents may be prepared in a language other than Korean, in which case a Korean translation shall be attached to the original.

Article 7 (Application of Governing Accounting Regulations, Practices and Principles)

The Qualifying Enterprises operating in the KIZ shall conduct their financial accounting and reporting activities in compliance with these KIZ Accounting Regulations and other relevant regulations, such as the Regulations on the Financial Management of Enterprises, Audit Regulations, and Tax Regulations for the KIZ. Matters that

are not specifically prescribed in these KIZ Accounting Regulations shall be in accordance with internationally accepted accounting practices.

Article 8 (Formulation of Financial Accounting Standards)

The KIZ management organ shall formulate the financial accounting standards applicable to the KIZ, in accordance with these KIZ Accounting Regulations. In such case, the KIZ management organ shall consult the central industrial zone guidance organ regarding the integral contents of the standards.

Article 9 (Qualifying Enterprise's Responsibility for Accounting)

The representative of a Qualifying Enterprise shall be responsible for the matters related to the enterprise's accounting. The representative shall not direct any of the enterprise's employees to engage in any illegal accounting work.

Chapter II Financial Accounting and Reporting

Article 10 (Requirements for Financial Accounting and Reporting)

Financial accounting and reporting is an important process of making accounting documents pertaining to economic events, recording such events according to the set rules and compiling financial statements on a periodic basis. Qualifying Enterprises shall strictly comply with the prescribed procedure for financial accounting and reporting.

Article 11 (Cases Requiring Accounting Treatment)

Qualifying Enterprises shall account for the following cases:

1. Deposit or withdrawal of cash;

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2. Issuance or acquisition of securities;
 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 expense;
 7. Final determination or distribution of profit/loss; or
 8. Occurrence of any other events requiring accounting treatment.

Article 12 (Principles of Financial Accounting and Reporting)

An enterprise shall comply with the following accounting principles:

1. Accounting records shall be based on lawful and objective data and evidence;
2. Account titles and terminology shall be presented in a concise and clear manner;
3. Establishment and classification of account titles, the time of accounting treatment, 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 financial statements.

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 recorded in Korean; and
 5. Each accounting document shall be sealed or signed by the person who has directed the relevant economic transaction or who has been in charge of the execution of such transaction.

Article 14 (Issuance and Receipt of Accounting Documents)

Once a Qualifying Enterprise has commenced an economic transaction, the Qualifying Enterprise shall issue or receive any accounting document(s) related to the transaction. If a Qualifying 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 Qualifying Enterprise shall review and verify the accuracy of its format, content, and calculation. Any incomplete, and therefore invalid, accounting document shall be returned to the issuer, with the prior approval of the representative or accounting department manager of the Qualifying Enterprise concerned.

Article 16 (Correction and Re-preparation of Accounting Documents)

Upon receipt of any incomplete accounting document returned by the recipient, a Qualifying Enterprise shall take steps to have the incomplete content of such document corrected and shall have the person making such correction stamp his/her seal thereon. Any accounting document on which an amount of money is erroneously entered shall be re-prepared.

Article 17 (Use of Account Titles)

Qualifying Enterprises shall use the account titles prescribed by the KIZ. In such case, important economic transactions may be presented under a new account title with the approval of the KIZ management organ, while ordinary economic transactions may be presented as combined into a similar account title.

Article 18 (Preparation of Accounting Books)

Each Qualifying Enterprise shall keep accounting books and records, which shall be divided into general ledger and sub ledgers. General ledger shall be subdivided into daily entry journals and journals by account titles so as to account for economic transactions in terms of their time of occurrence and nature. Sub ledgers shall be subdivided by the object of accounting treatment.

Article 19 (Preparation of Accounting Books and Records)

Accounting books and records shall be prepared using a double-entry bookkeeping system and shall be based on accounting documents duly reviewed and verified. Account books shall be of a standard format.

Article 20 (Reconciliation of Accounting Records with the Physical Presence of Recorded Items)

Each Qualifying Enterprise shall, on a regular basis, reconcile its accounting books with the physical presence of items listed on the records. If any discrepancy exists between the accounting records and the existing items on the records, the Qualifying Enterprise shall identify the cause of such discrepancy and resolve such discrepancy.

Article 21 (Correction of Accounting Books and Records)

Accounting books and records shall be corrected in the following manner:

1. In the case of an entry erroneously made in the accounting book prior to closing, the concerned Qualifying Enterprise shall cross out with two parallel lines in red, and rewrite it;
2. In the case of any entry erroneously made in the accounting book after closing, the concerned Qualifying Enterprise shall cancel the incorrect entry and make a correct entry of the relevant economic transaction correctly;
3. If an amount of money is erroneously entered in the accounting book, the concerned Qualifying Enterprise shall make an additional entry that shows the correct amount.
4. The concerned Qualifying Enterprise shall make sure that the accountant's seal is affixed wherever any correction has been made.

Article 22 (Valuation of Assets)

Valuation of assets shall be exercised in the following manner:

1. Assets shall be recorded on the basis of acquisition cost;
2. In the case of the assets that were acquired by exchange, investment in kind or gift, or gratuitously acquired, 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 included in 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 (Recognition of Revenue)

Revenue shall be recognized in the following manner:

1. Sales revenue of merchandise and finished goods shall be recognized at the time of sale and completion of delivery of such merchandise and finished goods;
2. Consignment sales revenue shall be recognized at the time the consigned goods are sold and delivered by the consignee;
3. Revenue from delivery of construction works, 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 (Recognition of Expenses)

Costs and Expenses shall be recognized and calculated in the following manner:

1. Production costs shall be recognized based on actual expenses incurred in the production;
2. Sales costs shall only include the costs and expenses related to such sales revenue;
3. Selling and administrative expenses shall be calculated based on the expenses actually incurred;
4. Interest expenses and other financial expenses shall be recognized 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:

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1. Financial position of a Qualifying Enterprise shall be classified as assets, liabilities and stockholders' equity. Assets shall be further classified as current assets and non-current assets, while liabilities shall be classified as current liabilities and non-current liabilities, on the basis of one-year period. Stockholders' equity shall be further classified as capital stock, capital surplus, retained earnings, and 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. Relevant account titles of 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 profit/loss, operating income/loss, ordinary income/loss, income/loss before income tax expenses and net income/loss;
2. Revenue and expenses shall be classified according to their respective sources of accrual, 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 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 flows shall be classified as operating activities, investing activities, and financing activities;
2. The ending 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 Statements of Accounts Settlement)

The statements of accounts settlement shall be prepared in the following manner:

1. The balance sheet, income statement, statements of appropriation 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 statements of accounts settlement;
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 an account form;
5. Explanations of accounting details that may be misunderstood shall be attached to the statements of accounts settlement.

Article 30 (Cycle of Preparing Statements of Accounts Settlement)

Statements of accounts settlement shall be prepared on monthly, quarterly, semi-annual, and annual bases. It is mandatory for the Qualifying Enterprises to prepare annual statements of accounts settlement, but the preparation of monthly, quarterly, or semi-annual statements of accounts settlement shall be subject to the provisions of each Qualifying Enterprise's articles of association.

Article 31 (Deadline for Preparing Statements of Accounts Settlement)

The deadline for preparing statements of accounts settlement shall be as specified below:

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1. For monthly statements of accounts settlement, no later than the 6th day of the immediately following month;
 2. For quarterly statements of accounts settlement, no later than the 15th day of the month immediately following the end of the quarter;
 3. For semi-annual statements of accounts settlement, within thirty (30) days of the end of the half year; and
 4. For annual statements of accounts settlement, within sixty (60) days after the close of the fiscal year.

Article 32 (Signing of the Statements of Accounts Settlement)

The statements of accounts settlement shall be signed by the representative and the accounting department manager of the Qualifying Enterprise concerned. The representative and accounting department manager shall be responsible for such statements of accounts settlement.

Article 33 (Obligation to Receive Financial Audit)

Every Qualifying Enterprise shall submit its annual statements of accounts settlement to the audit office established in the KIZ within sixty (60) days of the close of each fiscal year. The annual statements of accounts settlement shall become valid only if it has received a financial audit. An audit regarding monthly, quarterly, or semi-annual statements of accounts settlement may be conducted upon the request of the Qualifying 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

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- 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 recognition of revenue;
 3. Changing without approval the point of time for and the methods of recognizing 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 KIZ.

Chapter III Accounting Documents

Article 35 (Classification and Format of Accounting Documents)

Accounting documents shall include accounting books and records, and financial statements. The format of accounting documents shall be determined by the KIZ management organ, in consultation with the central industrial zone guidance organ.

Article 36 (Definition and Classification of Accounting Documents)

Accounting documents shall constitute the basis for accounting calculations that reflect the economic transactions of the Qualifying Enterprise concerned. Accounting documents shall include vouchers, slips, journals, and summary sheets.

Article 37 (Contents of Accounting Documents)

Each accounting document shall include the following:

1. Title of the accounting document;

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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 recipient 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 Accounting Books and Records)

Accounting books and records shall refer to those accounting documents in which economic events reflected in financial documents are recorded or calculated in certain formats or calculation sheets. Accounting books and records shall include daily journals, account ledgers, and sub ledgers.

Article 39 (Contents of Accounting Books and Records)

The content to be included in each accounting book shall be as follows:

1. The cover of each accounting book shall state the fiscal year, title of the accounting book, account number, and Qualifying Enterprise's name;
2. The first page of each accounting book shall include the table of contents and page numbers corresponding to the content;
3. From the second page, page numbers should be entered with relevant information such as date of preparation of accounting documents, journal description number, and the content and amount of relevant economic transactions; and
4. The last page shall bear the seal of the accounting department manager who checked the closing of the accounting book.

Article 40 (Definition and Classification of Statements of Accounts Settlement)

The statements of accounts settlement refer to the accounting documents that reflect by period the causes and effects of a Qualifying 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. The statements of accounts settlement shall include financial statements, notes to financial statements, and statements of financial conditions.

Article 41 (Contents Included in Statements of Accounts Settlement)

Financial statements shall consist of a balance sheet, income statement, statement of appropriation of retained earnings (or disposition of accumulated deficit), and a statement of cash flow. Notes to financial statements shall consist of explanations concerning the disposition of material assets, detailed data regarding material items, and other data necessary to understand and analyze such financial statements. In addition, the statement of financial conditions shall reflect material information regarding production management conditions, final determination of profits, and distribution of profits.

Article 42 (Period for Retention of Accounting Documents)

Each enterprise shall retain accounting documents for the following periods:

1. Accounting documents for five (5) years;
2. Accounting books and records for ten (10) years;
3. Annual statements of accounts settlement for ten (10) years; and
4. Monthly, quarterly, and semi-annual statements of accounts settlement for the period as specified in the articles of association

of the Qualifying Enterprise concerned.

Article 43 (Reckoning of Retention Period of Accounting Documents)

The period for retention of accounting documents 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 accounting books and records, from the closing date thereof; and
3. For the statements of accounts settlement, from the date on which such statements of accounts settlement received a financial audit.

Article 44 (Custody of Accounting Documents)

Accounting documents shall be kept at the Qualifying Enterprise concerned, under the responsibility of the accounting department manager. In the case of a Qualifying Enterprise that is being merged, split off, or dissolved, its board of directors shall determine the location of the custody and custodian of such accounting documents.

Chapter IV Supervision and Control of Accounting Matters

Article 45 (Supervision and Control Institution)

Accounting matters in the KIZ shall be supervised and controlled by the central industrial zone guidance organ. The central industrial zone guidance organ may establish an internal department to supervise and control Qualifying Enterprises' accounting affairs.

Article 46 (Method of Supervision)

The supervision of accounting matters shall be conducted by reviewing statements of accounts settlement and their relevant accounting audit reports. In the event that any illegal activity is revealed, the central industrial zone guidance organ shall advise the KIZ management organ thereof and may independently investigate the accounting affairs and practices of the enterprise concerned.

Article 47 (Internal Auditing System within Qualifying Enterprise)

Each Qualifying Enterprise shall segregate the functions of preparing general accounting 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 Qualifying Enterprise shall clearly specify the scope of responsibility for important economic activities such as investment, disposal of assets, and funding.

Article 48 (Prohibition of Cashier from Concurrently Holding Posts)

A Qualifying Enterprise shall not have its cashier concurrently hold posts that involve the bookkeeping or the custody of accounting documents.

Article 49 (Transfer of Duties)

An accountant who has been transferred, called up, treated for any disease, or dismissed shall transfer the accounting affairs to his/her successor in the presence of a third party. A transfer of duties between accountants shall take place in the presence of the accounting department manager, while the transfer of duties between accounting department managers shall occur in the presence of the Qualifying Enterprise's representative.

Article 50 (Compensation for Damages)

If a person has caused losses or damages to a third party in the course of carrying out accounting affairs, such person shall indemnify the third party for such losses and damages.

Article 51 (Suspension from Accounting Affairs)

If a person has omitted any material data or made any mistake in preparing statements of accounts settlement, 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 documents that are 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.

Article 52 (Imposition of Fines)

Fines shall be imposed in the following cases:

1. If any person has prepared the statements of accounts settlement that are not in conformity with the corresponding facts or refused or avoided a mandatory financial audit, he/she shall be subject to imposition of a fine in an amount not to exceed US\$10,000;
2. If any person has refused to submit the data required by the accounting supervisory 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 Qualifying Enterprise has failed to submit annual statements of accounts settlement within the designated deadline for submission, a fine shall be imposed upon the Qualifying Enterprise in an amount not to exceed US\$500;

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4. If any person has made a misstatement of any facts relating to certain accounting issues in return for any gifts, such 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)

If any person has failed to pay a fine within the due date, an arrearage 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 shall accrue starting seven (7) days after the date on which the central industrial zone guidance organ sent the notice of fine to the recipient thereof.

Regulations on Financial Management of Enterprises in Kaesong Industrial Zone

Adopted by Decision No. 57
of the Presidium of the Supreme People's Assembly on June 28, 2005

Article 1 (Mission)

These Regulations shall aim to provide strict guidelines for the enterprises operating in the Kaesong Industrial Zone (the "KIZ") to raise and utilize funds, distribute their profits, and liquidate the capital, thereby establishing the regulations on financial management.

Article 2 (Subject of Application)

Enterprises registered with the KIZ management organ, their branch offices and operation offices, as well as individual business operators (hereinafter referred to as "Qualifying Enterprise(s)") shall manage their finances in accordance with these Regulations. Matters that are not specifically prescribed herein shall be handled by the KIZ management organ, in consultation with the central industrial zone guidance organ.

Article 3 (Methods of Creating Capital)

Enterprises may create capital through contributions, credit, and donations, or by reserving profits, etc.

Article 4 (Registered Capital)

The term "registered capital" refers to the capital that has been registered with the KIZ management organ and invested for the

purpose of establishing a Qualifying Enterprise. No Qualifying 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 Qualifying Enterprise shall increase its registered capital corresponding to the increase of its total amount of net asset.

Article 6 (Type of Investment)

Qualifying Enterprises may make investments in cash, tangible assets, or intangible assets. Investments made in cash 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 (Timing of Recognition of Investment)

Investment shall be recognized as effective when:

1. In the case of currency, the assets are deposited with a bank established in the KIZ;
2. In the case of real estate, the formalities of registration with the KIZ management organ have been completed;
3. In the case of tangible assets other than real estate, the required formalities in the KIZ 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 on the basis of their respective value in the international market

prices. The value of tangible and intangible assets whose prices are lower than their respective international market prices shall be determined, 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 exceed 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 methods. Each Qualifying 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 five percent (5%) or less of their respective acquisition costs. If the residual value of any tangible asset is to be appraised at five percent (5%) or less of its acquisition cost, the KIZ 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 (Amortization of Intangible Assets)

Intangible assets shall be amortized using the straight-line or units-of-production method. Intangible assets shall have no residual value.

Article 14 (Prohibition of Depreciation)

No Qualifying Enterprise shall depreciate any fixed asset that is not in use for business activities, under construction or has yet to be completed, or whose value will not decrease due to lapse of time.

Article 15 (Purchase of Goods and Sale of Products)

No Qualifying Enterprise shall purchase goods at a price considerably higher than international market prices. Products manufactured in the KIZ shall not be sold at a price considerably lower than international market prices.

Article 16 (Objects Prohibited from Being Included in Costs or Expenses)

The following expenditures or losses shall not be included in costs or expenses:

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1. Capital expenditures for the acquisition of assets;
 2. Interest on capital investment;
 3. Interest accruing at a rate higher than interest rates generally available;
 4. Royalties paid to the parent enterprise;
 5. Overseas investments and administrative expenses expended on behalf of the relevant enterprise;
 6. Uncollectible credits and expenses for public relations activities exceeding the standard level;
 7. Losses resulting from confiscated assets, damages for breach of contract, arrearages, fines, and compensation;
 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 the expenditures incurred for research and development of new products or technologies. Qualifying Enterprises shall amortize such research and development costs by allocating them equally over a period of five (5) fiscal years.

Article 18 (Limit on Provision for Allowance for Bad Debts)

Allowance for bad debts refers to allowances reserved provided in advance against uncollectible trade receivables, loans receivable, 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 enterprises may provide the same in an amount equal to two percent (2%) thereof.

Article 19 (Employees Entitled to Severance Pay 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 the average monthly salary/wage of the employee or manager concerned for the last three (3) months prior to retirement multiplied by the number of years of service.

Article 20 (Limit on Provision for Allowance for Retirement Benefits)

Allowance for retirement benefits refers to those allowances reserved in advance for the purpose of paying retirement benefits to retirees. A Qualifying Enterprise may provide such allowance for retirement benefits in an amount equal to five percent (5%) of its monthly payroll for employees and managers who have served for one (1) year or longer.

Article 21 (Employee Wages)

An enterprise shall pay each of its employees a wage not lower than the minimum wage. Wages paid to employees shall be included in labor costs.

Article 22 (Wages of Managers)

Each enterprise shall include in its articles of association the standards for paying wages of managers so that such wages will not reduce the amount of tax to be paid, and shall pay such wages pursuant to the articles of association. The wages paid to managers shall be included in administrative expenses.

Article 23 (Employee Bonuses)

Each enterprise may pay bonuses to employees who have excelled in carrying out their assignments. The amount of bonuses paid

to employees shall, in its entirety, be included in labor 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 exceed the payment standard for employee bonuses shall not be included in administrative expenses.

Article 25 (Expenditure for Public Relations Activities)

In the case of a Qualifying Enterprise engaged in the manufacturing or commercial sector, the expenses for public relations activities shall not exceed one-half of a percent (0.5%) of its net sales if its net sales are US\$2 million or less and three-tenths of a percent (0.3%) of the net sales if its net sales exceed US\$2 million. In the case of a Qualifying Enterprise engaging in other service sectors, including construction, finance, traffic and transportation, the expenses for public relations shall not exceed one percent (1%) of its net sales if its net sales are US\$700,000 or less and, half a percent (0.5%) of the net sales if its net sales exceed US\$700,000.

Article 26 (Reserve Funds)

Each Qualifying 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 used to make up for deficits or to increase registered capital.

Article 27 (Voluntary Reserves)

Each Qualifying Enterprise may set aside voluntary reserves, if there is any source of funds remaining after the appropriations to reserve funds and dividends are deducted from net income.

Such voluntary reserves may be used for funds for expansion of production and technological development, or other funds of a similar nature.

Article 28 (Repayment of Debt)

Each Qualifying Enterprise shall repay its debts by the due date. Debts that cannot be repaid to the creditor because he/she cannot be located shall be included in reserve funds.

Article 29 (Valuation of Liabilities)

Each Qualifying Enterprise shall value its liabilities at the amount of money needed to repay the debt for the current year.

Article 30 (Supervision and Sanction)

The central industrial zone guidance organ shall have the authority to monitor compliance with these Regulations. In the event that a Qualifying Enterprise violates these Regulations and thus causes a materially adverse effect on its financial management, the central industrial zone guidance organ may impose a fine on such Qualifying Enterprise or suspend its business.

Audit Regulations for Kaesong Industrial Zone

Adopted by Decision No. 64
of the Presidium of the Supreme People's Assembly on September 13, 2005

Chapter I General Provisions

Article 1 (Mission)

These Regulations shall aim to provide strict guidelines for financial auditing system in the Kaesong Industrial Zone (the "KIZ"), thereby serving to guarantee the objectivity and impartiality of audits in the KIZ.

Article 2 (Auditor)

Audits in the KIZ shall be conducted by the audit office established in the KIZ. The audit office shall also exercise the valuation of tangible assets.

Article 3 (Regulations Applicable to Audits)

Audits shall be conducted in compliance with these Audit Regulations and other relevant regulations, such as the Accounting Regulations, Regulations on Financial Management of Enterprises, and Tax Regulations in the KIZ.

Article 4 (Enterprises Subject to Audits)

Enterprises registered with the KIZ management organ, their branch offices and places of business, and individual business operators whose total amount of 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 (hereinafter referred to as “Qualifying Enterprise(s)”), shall be subject to financial auditing. An enterprise that is not included in the aforementioned enterprises shall not be required to have its statements of account settlement audited.

Article 5 (Prohibition of Interference with Auditing)

The audit office shall be an independent corporation that is responsible for audits in the KIZ. No one shall interfere with the audit conducted by the audit office.

Article 6 (Formulation of Working Rules for Audit)

The KIZ management organ shall formulate the working rules applicable to audits in accordance with these Audit Regulations. In doing so, the KIZ management organ shall consult with the central industrial zone guidance organ on any important matters.

Chapter II Establishment and Operation of Audit Office

Article 7 (Approval for Establishment of Audit Office)

The KIZ management organ shall have the authority to grant approval for the establishment of the audit office. The KIZ management organ shall fully review such applications.

Article 8 (Number of Audit Offices to Be Established)

The KIZ shall have two (2) audit offices. The establishment of more than two (2) audit offices shall require the approval of the central industrial zone guidance organ.

Article 9 (Application for Establishment of Audit Office)

An audit organization that intends to open an audit office in the KIZ shall submit to the KIZ management organ an application for the establishment thereof. Such an application shall be accompanied by the audit office's basic by-laws as well as documents verifying the qualifications and experience of its members. In addition, such application shall state the audit office's name, address, the scope of its work the number of employees and organizations, the name and qualifications of managers and members, a total amount of capital, the duration of existence, and causes for dissolution, etc.

Article 10 (Review, Registration, and Date of Establishment of Audit Office)

Within ten (10) days of the date of receipt of an application for establishment of an audit office, the KIZ management organ shall review the application, determine whether to approve or deny the establishment, and then notify the central industrial zone guidance organ of the result thereof. The date on which the audit office is registered with the KIZ management organ shall be regarded as the date of establishment thereof.

Article 11 (Re-registration of Audit Office)

If the audit office has changed any of its basic by-laws, the number of employees and organizations, or the scope of its work, it shall re-register itself with the KIZ management organ. In such case, the KIZ management organ shall give the central industrial zone guidance organ a notice thereof.

Article 12 (Functions of Audit Office)

An audit office shall engage in the following activities:

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1. Auditing of a Qualifying Enterprise's establishment, merger or spin-off;
 2. Auditing of statements of accounts settlement;
 3. Appraisal of tangible assets;
 4. Auditing of the financial affairs pertaining to the dissolution and bankruptcy of Qualifying Enterprises;
 5. Consultation related to an audit; and
 6. Other activities prescribed in accounting-related laws and regulations.

Article 13 (Number and Qualifications of Audit Office Employees)

Each audit office shall have three (3) or more auditors and one (1) or more appraisers. Each of the auditors and appraisers (hereinafter referred to as "Auditor(s)") shall have a certificate of appropriate qualifications and at least three (3) years of experience in the relevant area. A person with any criminal history may not act as an Auditor.

Article 14 (Auditor's Authority)

An Auditor shall have the right to inspect or copy any of the accounting books and documents of a Qualifying Enterprise, and also to compare the accounting books against the goods in question. Each Qualifying Enterprise and individual shall provide the data requested by Auditors in a timely manner.

Article 15 (Duties of Audit Office)

Each audit office shall conduct audits in an objective and fair manner. Auditors shall not disclose or release confidential information that they have acquired or became aware of in the course of conducting the audit.

Article 16 (Documentation Requirements)

Each audit office shall keep records of its audit work. The matters pertaining to the form and content of audit documentation shall be determined by the KIZ management organ.

Article 17 (Preparation of Audit Report)

Auditors shall prepare an audit report upon completion of an audit. Such audit report shall state the object of the audit, the type of the audit report, the Auditor's opinion, date of report, and Auditor's name, etc.; it shall also bear the seal of the audit office.

Article 18 (Restrictions on Duties of Auditors)

No Auditor shall conduct an audit on any Qualifying Enterprise in which he/she owns interests. If an Auditor is asked to conduct an audit by a Qualifying Enterprise in which he/she has interests, such Auditor shall hand over his/her audit duties to another Auditor.

Article 19 (Dealing with Illegal Acts)

An Auditor shall state in the audit report any illegal acts that he/she has become aware of in the course of conducting the audit and shall further request the person responsible to take the remedial action. Should the person responsible fail to respond to such a request for remedial action, the Auditor shall notify the central industrial zone guidance organ thereof through the audit office.

Article 20 (Audit Fees)

The audit office shall be entitled to receive audit fees or service charges related to audit service or consultations. The standards for charging such audit fees and service charges shall be determined

by the KIZ management organ.

Article 21 (Compensation for Damages and Related Reserve Fund)

Each audit office shall accumulate a reserve fund for compensation for damages in the amount equal to ten percent (10%) of its annual net income after payment of 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 audit office shall promptly indemnify a third party for any losses or damages arising out of intentional or negligent acts committed in the course of carrying out its activities.

Article 22 (Prohibition of Misappropriation of Reserve Fund for Damages)

Each audit office shall utilize its reserve fund exclusively for its indemnification obligations for damages. If an audit office intends to utilize such reserve fund for another purpose, it shall obtain the approval of the central industrial zone guidance organ through the KIZ management organ.

Chapter III Procedure and Method of Auditing

Article 23 (Contents of Audit)

Each Qualifying Enterprise shall have its accounts audited in a timely and accurate manner. The scope of the audit shall include an investment audit, an audit regarding closure of accounts, and a liquidation audit.

Article 24 (Investment Audit Requirements)

A Qualifying 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 Qualifying Enterprise fails to cause Auditors to conduct an investment audit, it shall not be permitted to issue any investment certificates, distribute profits, or redeem investments.

Article 25 (Object of Investment Audit)

An investment audit shall be conducted regarding the investment report prepared by the Qualifying Enterprise concerned. Such report shall include a statement concerning the status of investments, investment of currency, contribution in kind, investment of real estate, and investment of intellectual property rights, etc.

Article 26 (Time Period of 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 audit office shall carry out the appraisal of investments in secondhand equipment in an accurate manner. A Qualifying Enterprise which is subject to the appraisal of its secondhand equipment shall submit to the audit office certain documents that accurately show the dates of manufacture and purchase, purchase price, useful life, period in which such equipment has been used, and other necessary information.

Article 28 (Object of Audit Regarding Accounts Closing)

A financial audit shall be conducted on monthly, quarterly, semi-

annual, or annual statements of accounts settlement. An audit on monthly, quarterly, or semi-annual statements of accounts settlement shall be conducted upon the request of the Qualifying Enterprise concerned. It is mandatory for each Qualifying Enterprise to cause Auditors to conduct an audit regarding its annual statements of accounts settlement.

Article 29 (Deadline for Submission of Annual Statements of Accounts Settlement)

Each Qualifying Enterprise shall submit to the audit office its annual statements of accounts settlement within two (2) months of the end of that fiscal year. A Qualifying Enterprise whose accounting workload is exceptionally heavy may submit its annual statements of accounts settlement to the audit office within three (3) months of the end of that fiscal year, with prior approval of the audit office.

Article 30 (Contents of Audit Report Regarding Statements of Accounts Settlement)

An Auditor shall summarize the result of any financial audit and prepare an audit report and statement of tax reconciliation. Such audit report shall be accompanied by notes regarding the statements of accounts settlement and a statement of financial conditions.

Article 31 (Contents of Notes Regarding Statements of Accounts Settlement)

The notes regarding the statements of accounts settlement shall include explanations of the following:

1. Items that are not in conformity with the applicable accounting regulations of the KIZ;

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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 Qualifying Enterprise concerned;
 6. Key information contained in the statements of accounts settlement; and
 7. Other information and data necessary for understanding and analysis of the statements of accounts settlement.

Article 32 (Contents of Statement of Financial Conditions)

The statement of financial conditions shall include the following:

1. Descriptions of material production and management 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 Statements of Accounts Settlement)

Each audit office shall complete an audit of each Qualifying Enterprise's annual statements of accounts settlement within three (3) months from the end of each fiscal year. If the audit office is unable to do so for unavoidable reasons, it shall notify the KIZ tax office of the reasons thereof and the proposed extension of the audit period.

Article 34 (Object of Liquidation Audit)

A liquidation audit shall be conducted on a liquidation report of a Qualifying 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 (Liquidation Audit Obligations)

Any Qualifying Enterprise that is being dissolved or is in bankruptcy shall have an audit regarding its statement of liquidation conducted within one (1) month from the date of completion of the liquidation procedure. If the Qualifying Enterprise did not undergo such audit, it may not close activities of a liquidation committee established in the Qualifying Enterprise or cancel its business registration.

Article 36 (Submission of Audit Reports)

An audit office shall submit to the central industrial zone guidance organ through the Management Organ 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 the relevant audit is completed.

Chapter IV Supervision and Control

Article 37 (Authority for Monitoring and Regulation of Accounting Audits)

The central industrial zone guidance organ shall supervise and control the auditing in the KIZ. The central industrial zone guidance organ shall supervise and control the practice and substance of audits in a consistent manner.

Article 38 (Method of Supervision and Control)

The supervision and control of auditing practices in the KIZ shall be conducted by reviews of the audit reports prepared by an audit office. However, if an audit has revealed any material illegal activity, the central industrial zone guidance organ may notify the Management Organ thereof and launch a field investigation.

Article 39 (Suspension of Operation)

If an Auditor has omitted any material data or made a serious mistake in the course of conducting an audit, he/she shall be suspended from acting as an Auditor for a period of no less than six (6) months and no more than one (1) year. If the Auditor has improperly conducted an audit and has received gifts in return, he/she shall be suspended from acting as an Auditor for a period of one (1) year or longer. If an Auditor has been suspended from acting as such three (3) times or more, the audit office to which the Auditor belongs shall be subject to suspension of operation.

Article 40 (Fines)

Fines shall be imposed in the following cases:

1. In the event that an audit office failed to prepare its audit documents or otherwise has inaccurately prepared such audit documents, it shall be subject to a fine in an amount not to exceed US\$3,000;
2. In the event that an audit office failed to set aside any reserve fund for indemnification of damages or used the same for any purpose not prescribed herein, it shall be subject to a fine in an amount not to exceed US\$5,000;
3. In the event that an audit office has divulged to a third party confidential information of which it became aware in the course

-
- of conducting the audit, or has conducted an audit of any Qualifying Enterprise in which the audit office or any of its Auditors has an interest, it shall be subject to a fine in an amount not to exceed US\$5,000;
4. In the event that an audit office failed to include in its audit report any information required to be included therein, or otherwise improperly included such information in its audit report, it shall be subject to a fine in an amount not to exceed US\$10,000; and
 5. In the event that an audit office improperly conducted an audit in return for any gifts, such gifts shall be confiscated and the audit office shall be subject to a fine not to exceed US\$15,000.

Article 41 (Arrearage)

If an audit office has failed to pay a fine within its due date, an arrearage will be imposed upon such audit office at the rate of 0.05 % of the unpaid amount for each day past the due date. Such arrearage shall accrue starting seven (7) days after the date the central industrial zone guidance organ issued the notice of fine to the audit office concerned.

Automobile Management Regulations for Kaesong Industrial Zone

Adopted by Decision No.76
of the Presidium of the Supreme People's Assembly on July 25, 2006

Chapter I General Provisions

Article 1 (Mission)

These Regulations shall aim to provide strict guidelines for registration, technical testing of automobiles, and the standards for operating them in the Kaesong Industrial Zone (the "KIZ"), 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 juristic person or individual using automobiles in the KIZ. These Regulations shall also apply to a juristic person or individual of other countries that uses automobiles in the KIZ. Automobiles being operated outside the KIZ 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.

Article 4 (Obligation to Register Automobiles)

Each automobile to be operated in the KIZ shall be registered. No automobile shall be subject to registration hereunder, if it enters or exits the KIZ from the South or the DPRK for the purpose of meetings, tours or transportation of materials.

Registration of automobiles hereunder shall be the responsibility of the KIZ management organ.

Article 5 (Issuance of Automobile License Plate)

A license plate shall be issued to each automobile registered hereunder. In the case of an automobile being used temporarily or in the process of registration, a temporary license plate shall be issued.

Article 6 (Technical Test Authority for Automobiles)

Technical tests of automobiles in the KIZ shall be conducted by the automobile technical test authority (hereinafter referred to as "ATTA"). The ATTA shall properly establish the forms and standards for such technical tests with respect to automobiles.

Article 7 (Qualifications for Driving Automobiles)

No person shall be permitted to drive any automobile in the KIZ 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 South or any other country shall drive an automobile only after having presented such driver's license to the automobile regulatory authority and having obtained a local driver's license issued by such authority. If a person enters and exits the KIZ for a short-term for the purpose of a meeting, tour or transportation of materials or an agreement is otherwise reached by the authorities concerned of the South and the DPRK, he/she may

drive an automobile without any driver's license.

**Article 8 (Submission of a Copy of Certificate of Automobile Registration/
Certificate of Technical Test)**

The KIZ management organ and the ATTA shall forward to the automobile regulatory authority a copy of the certificate of automobile registration, license plate or certificate of technical test, 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 prescribed fee shall be paid by the owner of such automobile or the holder of such driver's license. The fee for registration and technical testing of an automobile shall be prescribed by the KIZ management organ in consultation with the central industrial zone guidance organ, while the fee for issuance of a driver's license shall be prescribed by the automobile regulatory authority in consultation with the central industrial zone guidance organ.

Article 10 (Dealing with Matters not provided in these Regulations)

All matters that are not specifically provided herein in connection with the management of automobiles shall be dealt with by the central industrial zone guidance organ, the KIZ management organ and the automobile regulatory authority in consultation among themselves.

Chapter II Registration of Automobile

Article 11 (Classification of Registration)

Registration of automobiles shall be divided into three categories,

i.e., initial registration, transfer registration and de-registration. The KIZ management organ shall precisely review applications for registration of automobiles before registration.

Article 12 (Initial Registration of Automobile)

Initial registration shall apply to each of the automobiles that are newly brought into the KIZ. The owner intending to register his/her automobile for this purpose shall submit an application to the KIZ management organ for initial registration within seven (7) days from the date the automobile has been brought into the KIZ.

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 submit an application to the KIZ management organ for a transfer registration of the automobile within fifteen (15) days from the date of purchase thereof, if purchased in the KIZ; twenty (20) days from the date of gift, if acquired by gift; three (3) months from the date of inheritance, if inherited; or fifteen (15) days from the date 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 Certificates of Registration)

Upon receipt of an application for registration, whether initial or transfer, with respect to an automobile, the KIZ management organ shall review such application and register such automobile within three (3) days from the date of application. The KIZ management organ shall issue a license plate and a certificate of registration for the automobile registered.

Article 15 (Sealing of License Plate)

The KIZ management organ shall affix a license plate onto an automobile duly registered and then put a seal on it. The license plate shall not be unsealed in any case without approval.

Article 16 (Temporary License Plate)

In the case of an automobile in the process of registration or being used under a temporary permit, the KIZ management organ shall affix a temporary license plate onto it. Such a temporary license 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 occur: 1) it has been scrapped; 2) it has been returned to the manufacturer or seller, after purchase; 3) it has become unusable, due to collision, fire or other similar cause; 4) it is to exit the KIZ permanently; or 5) any other cause of de-registration has occurred.

Article 18 (Application for De-registration of Automobile)

If any of the events under Article 17 hereof occurs, the owner of the automobile concerned shall submit an application to the KIZ management organ 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 certificate of registration and the license plate of that automobile.

Article 19 (Registration of a De-registered Automobile)

If an automobile is to be re registered once it has been de-registered, it shall be subject to Article 12 hereof.

Chapter III Technical Tests of Automobile

Article 20 (Classification of Technical Test)

Technical tests with respect to an automobile shall be divided into three (3) categories: initial technical tests, regular technical tests, and technical tests of structural changes. The Automobile Testing Authority shall ensure that the validity period of technical tests are prescribed in a reasonable manner and that each of such technical tests are conducted in a timely manner.

Article 21 (Initial Test of Automobile)

An initial test shall be made with respect to an automobile that has completed initial registration with the KIZ management organ. The validity period of such initial test shall be determined by the KIZ management organ 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 period 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 period of its prior technical test expires.

Article 23 (Technical Test of Structural Changes)

A technical test of structural changes shall be made with respect to an automobile which structure has been changed. If any change is made in the type, model, vehicle identification 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 submit an application to the ATTA for a technical test, if he/she intends to have his/automobile tested. Upon receipt of such application, the ATTA shall set the date of the technical test within seven (7) days after receipt thereof and conduct such test accordingly.

Article 25 (Issuance of Certificate of Technical Test)

The ATTA 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 certificate of technical test shall be issued.

Article 26 (Installation of Fixture)

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 necessary sign on his/her automobile.

Chapter IV Operation of Automobiles

Article 27 (Traffic Control)

Traffic control in the KIZ shall be the responsibility of traffic police officers. Operation of automobiles shall comply with the traffic control signals made by traffic police officers.

Article 28 (Automobile Lanes)

Every automobile shall be driven on driveways only. On roads with marked lanes, automobiles shall be driven along the designated marked lanes and, on a road without marked lanes, automobiles shall yield to other automobiles, depending on their speed, type, model and purpose of driving.

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-heavy areas, or where driving an automobile may be affected by snow, rain, fog, dust, etc.

Article 30 (Passing)

If an automobile intends to pass 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 pass it. No passing shall be allowed on a narrow road; a section of road with a "no passing" sign; a curve; 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 the automobile on the roadside or in a parking place after assuring himself/herself that it is safe to do so. No automobile shall be parked on a bridge or intersection, at a railroad crossing, at an area with a restricted visual range, at a curve, at a place with a "no stopping" sign, and at a place without a "parking" sign.

Article 33 (Restriction on Overloading and Packaging)

No automobile shall be allowed to carry any load beyond the prescribed carrying capacity and dimensions. Any load that may be blown away by the wind, may damage roads or affect the passage of pedestrians and/or other automobiles shall be carried properly packaged.

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 (Pedestrian Crosswalks)

An automobile shall pass through a crosswalk only after pedestrians have crossed the road, in which case pedestrians shall cross the road quickly.

Article 36 (Intersections)

At an intersection where automatic traffic signals are installed or where a traffic police officer is manned, every automobile shall slow down and give the signal indicating the direction in which it intends to proceed, enter the applicable lane for a right or left turn and proceed in compliance with the traffic control signal. At an intersection with neither automatic traffic signals nor a traffic police officer, 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 (Bridges)

An automobile carrying a load over a bridge shall comply with

the requirements of the safety sign of the bridge. On a bridge where two automobiles cannot travel simultaneously, the automobile having entered first shall have priority to proceed.

Article 38 (Railroad Crossings)

An automobile intending to cross a railroad crossing shall stop ten (10) meters before the crossing and shall pass after having confirmed that no train will pass through and after having received a safety signal, in which case the automobile shall not change its speed.

Article 39 (Driving Automobiles 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 passing of other automobiles by turning on and off its high beams and headlights. No automobiles shall turn on any high beams on a road with lit operating street lights.

Article 40 (Special Automobiles)

Special automobiles, such as ambulances, fire engines and automobiles for maintaining road facilities, shall use applicable alarm systems, signal lighting 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 (Drivers' Duties upon Occurrence of Traffic Accidents)

A driver having caused a traffic accident shall immediately notify 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 crossing of pedestrians and other passing automobiles.

Article 42 (Documents to be Carried in Automobiles)

Every automobile being driven on the road shall carry its certificate of registration, certificate of technical test and a third party liability insurance policy. In addition, the driver shall carry his/her driver's license.

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 required technical test; which prior technical test has expired; which is not insured against a third-party liability; or which is not properly equipped with steering equipment, brakes, lighting system and/or signal system or which license plate or temporary license plate cannot be identified.

Chapter V Sanction and Complaint

Article 44 (Fines and Imposition)

A fine shall be imposed in the case of a violation of these Regulations. The standards for imposing fines with respect to illegal activities hereunder shall be prescribed in the detailed enforcement regulations of these Regulations.

Article 45 (Detainment 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 deported

from the KIZ.

Article 47 (Complaints and Deadline for Settlement)

Should an enterprise or individual object to any matter related to registration, technical testing, passage or operation of any automobile or disciplinary measures related thereto, such enterprise or individual may file a complaint with the KIZ management organ, the ATTA, the automobile regulatory authority or the central industrial zone guidance organ, 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.

Environmental Protection Regulations for Kaesong Industrial Zone

Adopted by Decision No. 82
of the Presidium of the Supreme People's Assembly on November 21, 2006

Chapter I General Provisions

Article 1 (Mission)

These Regulations shall aim to provide strict guidelines for preserving and developing the environment and preventing environmental pollution in the Kaesong Industrial Zone (the "KIZ"), thereby contributing to the protection of the environment and providing a clean environment for the people.

Article 2 (Subject of Application)

These Regulations shall apply to all enterprises and individuals (including foreign nationals) in the KIZ. The term "enterprises" includes enterprises operating in the KIZ and their branch offices, places of business, offices and individual business operators.

Article 3 (Administrative Authorities for Environmental Protection)

KIZ management organ shall be responsible for the environmental protection of the KIZ. The KIZ management organ shall carry out its environmental protection activities in a well-planned manner.

Article 4 (Priority of Environmental Protection)

Environmental protection activities shall be an obligation of all enterprises and individuals. Enterprises and individuals intending

to engage in the business of development, construction and production in the KIZ shall give priority to environmental protection.

Article 5 (Standards for Environmental Protection)

The standards for environmental protection of the KIZ shall be established by the central industrial zone guidance organ. 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 Improvement of the Natural Environment

Article 6 (Basic Requirements for Preservation and Improvement of the Natural Environment)

All enterprises and individuals shall preserve the natural environment of the KIZ and shall improve it so that it is beneficial to the health and cultural and emotional life of humans.

Article 7 (Designation of Environmental Protection Areas)

Environmental protection areas shall be designated in order to protect the environment of the KIZ. The central industrial zone guidance organ shall be responsible for the above designation.

Article 8 (Protection of Forest Resources)

The KIZ management organ shall establish a forestry disease and pest prevention system as well as a monitoring system for forest fire. Cutting trees or clearing forestland shall not be permitted in the KIZ without the approval from the central industrial zone guidance organ.

Article 9 (Protection of Animal and Plant Resources)

Enterprises and individuals shall not destroy habitats of animals and plants, nor catch or collect 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 (Restricting Construction around Scenic Spots, Natural Monuments and Historic Remains)

Construction of production facilities around scenic spots, natural monuments or historic remains shall not be permitted. Service facilities may be constructed with approval from the central industrial zone guidance organ.

Article 12 (Development of Forests and Groves)

Enterprises and individuals shall contribute to enhancing the scenic beauty around the KIZ by planting many trees, grasses and flowers that have ornamental value and benefit 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 KIZ management organ and the developers shall prepare an environmental impact assessment statement or environmental

protection plan in relation to the development, construction and operation of the KIZ and shall implement the same after having obtained approval from the central industrial zone guidance organ. The aforesaid environmental impact assessment 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 for the prevention of 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 assessment statement or environmental protection plan and shall submit the same to the KIZ management organ.

Article 15 (Installation of Pollutant-emitting and Pollution-prevention Facilities)

Enterprises and individuals shall install pollutant-emitting facilities and pollution-prevention facilities in accordance with the applicable standards of the environmental protection. Such pollutant-emitting facilities and pollution-prevention facilities shall commence operation after undergoing inspection by the KIZ management organ.

Article 16 (Restrictions on Installation of Pollutant-emitting Facilities)

The KIZ management organ shall restrict installation of any facilities emitting environmental pollutants, if such facilities are likely to have an adverse effect on any environmental protection areas and residential areas.

Article 17 (Approval of Direct Emission of Gas and Dust)

Enterprises intending to emit gas and dust directly into the air without installing any emission outlet shall obtain approval from the central industrial zone guidance organ through the KIZ management organ.

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 is 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 produced in the course of development, construction or production will have an adverse effect on 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 Water Area)

No enterprise or individual shall engage in acts such as cleaning vehicles or dumping pollutants 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 from 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. 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 central industrial zone guidance organ a document stating the type, quantity and intended use of such toxic substance and shall obtain approval from the central industrial zone guidance organ.

Toxic substances for which approval has been granted shall be declared to the KIZ management organ and the central industrial zone guidance organ must be notified in the event of changes to the type, quality, and intended use.

Article 27 (Reporting on the Volume of Discharge and Waste)

Enterprises shall accurately measure and record the volume of discharge and waste and shall submit a report to the KIZ management organ thereof once a month.

Article 28 (Storage of Discharge and Waste⁹⁾)

Enterprises intending to store discharge 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 discharge and waste shall be indicated on the surface of their containers.

Article 29 (Transportation of Discharge and Waste)

Enterprises intending to transport discharge and waste shall report to the KIZ management organ and shall take the necessary measures to ensure that such discharge and waste will not be combined, leaked or blown away by the wind while being transported.

Article 30 (Disposal of Discharge and Waste)

Enterprises intending to dispose of discharge and waste shall submit to the KIZ management organ an application for disposal of such discharge and waste. Notwithstanding the foregoing, an application for disposal of the discharge and waste to be transported out of the KIZ shall be submitted to the central industrial zone guidance organ through the KIZ management organ. The aforesaid application for disposal shall state the type, data of component analysis, volume, environmental impact assessment statement and the materials guaranteeing environmental protection and others similar thereto.

9) Korean original of this English translation is "폐기폐설물."

Article 31 (Warning against Environmental Pollution)

The KIZ management organ shall issue an environmental pollution warning if any polluted or wastewater that has been discharged after purification is likely to affect the health or daily life of humans due to unusual hydrometeorologic conditions¹⁰⁾ and circumstances.

Article 32 (Survey, Measurement and Analysis of Environmental Condition)

The central industrial zone guidance organ and the KIZ management organ shall survey, measure and analyze the environmental condition of the KIZ on a regular basis. The methods for such survey, measurement and analysis shall be determined by the central industrial zone guidance organ.

Article 33 (Recording Data)

Enterprises shall record in a ledger the details of operation of pollution-prevention facilities, storage and disposal of discharge and waste and shall keep such record for the prescribed period.

Article 34 (Reporting the Result of Environmental Protection)

The KIZ management organ shall report to the central industrial zone guidance organ of the implementation of the environmental protection plan and the status of environmental protection activities, once a quarter.

Chapter IV Supervision and Control

Article 35 (Authority for Regulation and Control)

The KIZ management organ shall have the authority for regulation

10) Korean original of this English translation is "기상수문조건."

and control over the environmental protection of the KIZ, under the guidance of the central industrial zone guidance organ. The KIZ management organ shall strictly regulate and control the status of compliance with the applicable standards for environmental protection.

Article 36 (Establishment of Environmental Monitoring System)

The KIZ management organ shall establish an environmental monitoring system in due course and inspect and comprehend the environmental condition thoroughly and shall also properly inform enterprises of the environmental information needed by them.

Article 37 (Management of Facilities for Environmental Protection)

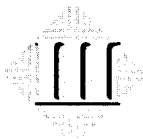
The KIZ management organ shall operate the facilities for environmental protection on a regular basis and shall ensure that the maintenance cycle is observed.

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 North and the South.



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Agreement on Communications for Kaesong Industrial Zone

The South and the North (each a "Party" and collectively "both Parties") agree as follows, in order to guarantee the smooth exchange of mail and telecommunications in the Kaesong Industrial Zone (hereinafter referred to as "KIZ") and between the territory of the South and the KIZ.

Article 1 Definitions

1. The term "mail" refers to general mail and postal parcels:
 - A. The term "general mail" refers to objects or items delivered through the postal service, including letters, postcards, documents, newspapers, magazines, and books, etc.; and
 - B. The term "postal parcel" refers to objects or items packaged in specified parcel size and delivered through the postal service, excluding prohibited articles such as letters and money.
2. The term "telecommunications" refer to all types of data transmission using a landline or cordless telephone, facsimile, the Internet, data, images, video communication or satellite communication that transmits or receives sound, characters, signs, and images via electromagnetic means.
3. The term "personnel" refer to people from the South, overseas Koreans, foreigners, and their family members who reside in or enter and exit the KIZ for the purpose of engaging in the development, operation, and maintenance of the KIZ; establishing

enterprise and/or carrying out business activities; inspecting or touring the KIZ.

Article 2 Basic Principles

1. Exchanges of mail and telecommunications between the territory of the South and the KIZ are inter-Korean domestic exchanges rather than those between separate countries.
2. Both Parties shall guarantee the free exchange of mail and telecommunications in the KIZ and between the territory of the South and the KIZ.
3. Mail and telecommunications shall be directly exchanged and connected between the territory of the South and the KIZ, not through any third country.
4. Both Parties shall ensure confidentiality with regard to the content of mail and telecommunications exchanged in the KIZ and between the territory of the South and the KIZ.
5. Both Parties shall desist from using, for any political or military purposes, the mail and/or telecommunications exchanged in the KIZ and between the territory of the South and the KIZ, as well as these facilities.

Article 3 Exchange of Mail

1. Both Parties shall ensure that mail is delivered in a safe and speedy manner.
2. Both Parties shall determine, in consultation with each other,

the procedure for the establishment of an administrative organization to provide postal service in the KIZ and the procedure for exchanging Mail.

Article 4 Establishment and Operation of a Telecommunications Network

1. Both Parties shall have designated telecommunications operator(s) establish and operate the required facilities so as to facilitate exchanges of telecommunications of the KIZ.
2. The telecommunications operator shall connect a telecommunications network directly through a site to be agreed upon between the South and the North.
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 the telecommunications network.

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 with regard to mail and telecommunications.

Article 6 Provision of Information

Each Party shall notify the other of the enactment, amendment and supplementation of its laws and regulations regarding

communications, and shall promptly respond to the other Party's request for provision of data and information unless any special circumstances exist.

Article 7 Interpretation and Application

Any disputes arising in relation to the interpretation and application of this Agreement shall be discussed and resolved by the Inter-Korean Economic Cooperation Promotion Committee, or the body authorized by the committee.

Article 8 Amendment and Supplementation

If necessary, both Parties may amend or supplement, in consultation with each other, any provision of this Agreement. Amended or supplemented provision shall come into effect upon completion of the procedure outlined in Paragraph 1 of Article 9 hereof.

Article 9 Effectuation and Termination

1. This Agreement shall take effect on the date when both Parties sign, and further exchange this Agreement after the completion of the necessary formalities for effectuation of this Agreement respectively.
2. This Agreement shall have the same force and effect as each Party's relevant laws and regulations.
3. This Agreement shall remain in force unless either Party notifies in writing its intention to terminate this Agreement to the other

Party. The notice of termination shall take effect after six (6) months from the date of the notification.

This Agreement was executed in duplicate on December 8, 2002, and the two originals shall have the same effect.

Jinshik Yoon

Inter-Korean Economic Cooperation
Promotion Committee
Chairman of the South
Deputy Minister of the Ministry of
Economy and Finance, Republic of
Korea

Changryeon Park

Inter-Korean Economic
Cooperation Promotion Committee
Chairman of the North
Deputy Chairman of the National
Planning Commission, Democratic
People's Republic of Korea

Agreement on Customs Clearance for Kaesong Industrial Zone

The South and the North (each a "Party" and collectively "both Parties") agree as follows, in order to facilitate the customs clearance of materials, mail, vehicles, and personal effects of personnel entering and exiting the Kaesong Industrial Zone (hereinafter referred to as "KIZ").

Article 1 Definitions

1. The term "materials" refers to those articles necessary for: construction, operation, and maintenance of the KIZ; production and management activities of the invested enterprises (hereinafter referred to as "enterprise(s)") in the KIZ; and the daily life of the personnel who reside in the KIZ.
2. The term "transporting into" refers to the act of transporting materials into the KIZ along the route designated by mutual agreement between both Parties, and "transporting out of" refers to the act of transporting materials out of the KIZ.
3. The term "passing vehicles" refers to various vehicles entering and exiting the KIZ for the purpose of transporting personnel and materials into and out of the KIZ or for construction, operation, and maintenance of the KIZ.

Article 2 Designation of Entry and Exit Routes

Both Parties shall designate, in consultation with each another, the

route to roads and railways connecting the trains and vehicles operation office and the KIZ, at least prior to the start of the KIZ development project.

Article 3 Establishment of KIZ Customs

The North shall establish and operate a customs house in the KIZ (hereinafter referred to as “KIZ customs”).

Article 4 Registration of Passing Vehicles and Certification of Entry and Exit

1. Both Parties shall have the vehicles (excluding railway vehicles) going between the South and North register in advance with the customs agency designated by their respective customs authorities, and shall issue to each registered vehicle a certificate of passing vehicle stating the following information:
 - A. The vehicle’s license plate number, type, model, year of manufacture, engine displacement, etc.;
 - B. Carrying capacity or passenger capacity;
 - C. Purpose of operation, route, and validity period; and
 - D. Other information both Parties deem necessary by mutual agreement.
2. Each Party shall provide the other Party with a register of the passing vehicles. In this case, a vehicle registered in such a register shall be considered a vehicle duly registered with the customs agencies of both Parties.
3. Each passing vehicle shall present a vehicle pass to the trains and vehicles operation office and receive certification of its entry

and exit.

Article 5 Exemption of Vehicles from Taxes, Etc.

Both Parties shall exempt passing vehicles from all taxes and shall not go through any separate customs procedures with respect to passing vehicles.

Article 6 Customs Clearance Procedures for Materials Transported into and out of KIZ

1. Customs clearance procedures for materials and mail transported into and out of the KIZ shall be dealt with by KIZ customs.
2. Customs inspections on passing vehicles and personal effects of personnel entering and exiting from the KIZ shall be conducted by the trains and vehicles operation office.
3. KIZ customs shall conduct inspections of materials transported into and out of the KIZ at their point of arrival or exit, at the request of the enterprise(s).
4. The customs clearance procedures for materials transported into and out of the KIZ shall be carried out in a simple and speedy manner, unless any special circumstances exist.
5. KIZ customs shall not impose any taxes or charges on materials transported into and out of the KIZ.

Article 7 Procedures for Transport into and out of KIZ

1. With respect to materials being transported into the KIZ, the South's trains and vehicles operation office shall confirm that the materials listed on the previously submitted customs declaration form are those to be transported into the KIZ, and then deliver the form to the carrier concerned.
2. With respect to materials being transported out of the KIZ, the KIZ customs shall confirm that the materials listed on the previously submitted customs declaration form are those to be transported out of the KIZ, and then deliver the declaration form to the carrier concerned.
3. The customs declaration form shall specify the consignor, consignee, name, quantity, price, transporting period, place of shipment, destination, and carrier.

Article 8 Transport of Materials into and out of KIZ

1. Materials transported into and out of the KIZ shall be transported in containers unless any special circumstances exist, and each container shall be sealed, prior to exit, by the customs agency that has confirmed that the materials contained therein are those to be transported into and out of the KIZ.
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 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 materials being passed through customs at the trains and vehicles operation office, unless any special circumstances exist.

4. If anything is out of order with any of the seals mentioned above, or any incident has occurred, 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, amendment, and supplementation of its laws and regulations regarding customs clearance, and shall promptly respond to the other Party's request for provision of data and information without any special circumstances.

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 materials transported into and out of the KIZ.

Article 11 Interpretation and Application

Both Parties shall discuss and settle problems arising in relation to the interpretation and application of this Agreement by the Inter-Korean Economic Promotion Committee or a body authorized by the Committee.

Article 12 Amendment and Supplementation

If necessary, both Parties may amend or supplement, in consultation with each other, any provision of this Agreement. Amended or supplemented provisions shall come into effect upon completion of the procedure outlined in Article 13.1 hereof.

Article 13 Effectuation and Termination

1. This Agreement shall take effect on the date when both Parties sign, and further exchange this Agreement after the completion of necessary formalities for effectuation of this Agreement respectively.
2. This Agreement shall have the same force and effect as each Party's relevant laws and regulations.
3. This Agreement shall remain in force unless either Party notifies in writing its intention to terminate to the other Party. The notice of termination shall take effect after six (6) months from the date of the notification.

This Agreement was executed in duplicate on December 8, 2002, and the two originals shall have the same effect.

Jinshik Yoon
Inter-Korean Economic Cooperation
Promotion Committee
Chairman of the South
Deputy Minister of the Ministry of
Economy and Finance, Republic of
Korea

Changryeon Park
Inter-Korean Economic Cooperation
Promotion Committee
Chairman of the North
Deputy Chairman of the National
Planning Commission, Democratic
People's Republic of Korea

Appendix

In both Parties' Agreement, the following terms represent the same meaning.¹¹⁾

11) Translator's Note : This appendix lists Korean terms differently used in the South's and the North's agreement each pair of which nonetheless has the same meaning. Their translation was intentionally omitted.

Agreement on Quarantine for Kaesong Industrial Zone

The South and the North (each a "Party" and collectively "both Parties") agree as follows, in order to facilitate quarantine procedures for personnel, materials, and means of transport entering and exiting the Kaesong Industrial Zone (hereinafter referred to as "KIZ").

Article 1 Definitions

1. The term "personnel" refers to residents of the South, overseas Koreans, foreigners and their family members who reside in or enter and exit the KIZ for the purpose of engaging in the development, operation, and maintenance of the KIZ; establishing invested enterprises in the KIZ (hereinafter referred to as "enterprise(s)"), conducting business activities; inspecting or touring the KIZ.
2. The term "materials" refers to those articles necessary for: construction, operation, and maintenance of the KIZ production and management activities of Enterprises and the daily life of personnel who reside in the KIZ.
3. The term "entry and exit" means the act of entering and exiting the KIZ along the route designated by mutual agreement between both Parties.
4. The term "transporting into" refers to the act of transporting materials into the KIZ along the route designated by mutual

agreement between both Parties, and “transporting out of” refers to the act of transporting materials out of the KIZ.

5. The term “means of transport” refers to trains and various vehicles entering and exiting the KIZ for the purpose of transporting personnel and materials into and out of the KIZ or for the purpose of construction, operation, and maintenance of the KIZ.

Article 2 Designation of Entry and Exit Routes

Both Parties shall designate, by mutual agreement, the entry and exit routes of roads and railways connecting the trains and vehicles operation office and the KIZ, prior to the start of the KIZ 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 materials being transported into and out of the KIZ along the designated route, and also the criteria and methods of quarantine, prior to the commencement of the KIZ development project.
2. Personnel, means of transport, and equipment that directly enter or exit the KIZ along the designated route shall not be quarantined, unless special circumstances exist such as the outbreak of an infectious disease.

Article 4 Establishment of KIZ Quarantine Office

The South shall establish a quarantine office in the KIZ (hereinafter referred to as “KIZ Quarantine Office”) with full responsibility for conducting quarantine inspections of materials being transported into and out of the KIZ.

Article 5 Quarantine Principles

1. The KIZ Quarantine Office shall simplify the quarantine procedure and expedite the passage of materials. If necessary, the KIZ management organ may dispatch its personnel to assist the KIZ Quarantine Office with quarantine inspections.
2. If it is necessary to conduct special quarantine inspections of personnel, means of transport, or materials not normally subject to quarantine, quarantine inspections shall be done only after consulting with the South’s trains and vehicles operation office. The KIZ Quarantine Office may choose not to inspect when the subject holds a health certificate or vaccination certificate.
3. The KIZ Quarantine Office shall collect a quarantine fee for the subject of a quarantine inspection. The standards for such a quarantine fee shall be determined by the KIZ Quarantine Office, in consultation with the KIZ management organ.

Article 6 Quarantine Inspection of Materials Transported into KIZ

1. A person transporting into the KIZ any materials subject to quarantine hereunder shall immediately warehouse the materials

at the KIZ Quarantine Office upon arrival and apply for a quarantine inspection.

2. The KIZ Quarantine Office shall conduct a quarantine inspection of such materials and issue a quarantine certificate for materials that have satisfied quarantine standards.
3. The KIZ Quarantine Office may issue a disposition for sterilization, return, or prohibition of use with respect to materials that fail to pass quarantine, and shall notify the South's trains and vehicles operation office of the reason for rendering such a disposition.

Article 7 Quarantine Inspection of Materials Transported out of KIZ

1. A person who intends to transport out of the KIZ any materials subject to quarantine hereunder shall immediately warehouse the materials at the KIZ Quarantine Office and submit an application for a quarantine inspection.
2. The KIZ Quarantine Office shall conduct a quarantine inspection of such materials and issue a quarantine certificate for materials that have satisfied quarantine standards. No one may transport out of the KIZ any materials that fail to pass the quarantine procedure.
3. If no quarantine inspection is required by the South for certain materials, such materials may be transported out of the KIZ without going through the quarantine procedure.

Article 8 Provision of Information

Each Party shall notify the other Party of the enactment, amendment, and supplementation of its laws and regulations regarding quarantine, and shall promptly respond to the other Party's request for provision of data and information, unless special circumstances exist.

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 materials transported into and out of the KIZ.

Article 10 Interpretation and Application

Both Parties shall discuss and settle problems arising in relation to the interpretation and application of this Agreement by the Inter-Korean Economic Promotion Committee or a body authorized by the Committee.

Article 11 Amendment and Supplementation

If necessary, both Parties may amend or supplement, in consultation with each other, any provision of this Agreement. Amended or supplemented provisions shall come into effect upon completion of the procedure outlined in Article 12.1 hereof.

Article 12 Effectuation and Termination

1. This Agreement shall take effect on the date when both Parties sign, and further exchange this Agreement after the completion of necessary formalities for effectuation of 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 in force unless either Party notifies in writing its intention to terminate to the other Party. The notice of termination shall take effect after six (6) months from the date of the notification.

This Agreement was executed in duplicate on December 8, 2002, and the two originals shall have the same effect.

Jinshik Yoon
Inter-Korean Economic Cooperation
Promotion Committee
Chairman of the South
Deputy Minister of the Ministry of
Economy and Finance, Republic of
Korea

Changryeon Park
Inter-Korean Economic
Cooperation Promotion Committee
Chairman of the North
Deputy Chairman of the National
Planning Commission, Democratic
People's Republic of Korea

Appendix

In both Parties' Agreement, the following terms represent the same meaning.¹²⁾

12) Translator's Note : This appendix lists Korean terms differently used in the South's and the North's agreement each pair of which nonetheless has the same meaning. Their translation was intentionally omitted.

Agreement on Entry into, Exit from, and Stay in Kaesong Industrial Zone and Kungangsan Tourist Zone

The South and the North agree as follows, in order to develop economic cooperation projects aimed at the balanced development of the Korean people's economy and to facilitate entry into, exit from, and stay in the Kaesong Industrial Zone and Kungangsan Tourist Zone (hereinafter referred to as the "Zone"), in compliance with the basic spirit of the historic June 15th Joint Declaration,

Article 1 Definitions

1. The term "personnel" refers to citizens of the South, overseas Koreans, and foreigners who enter the Zone from the territory of the South and exit from the Zone for the territory of the South.
2. The term "passing vehicles, etc." refers to various means of transport, including automobiles, trains, and ships, that enter the Zone from the South's territory and exit from the Zone for the South's territory.
3. The term "entry and exit" refers to an act in which personnel or passing vehicles, etc. enter the Zone from the territory of the South and exit from the Zone for the territory of the South.
4. The term "stay" refers to personnel's stay in the Zone for a certain period.

-
5. The term “entry and exit route” refers to a route, designated by mutual agreement between the South and the North, for personnel or passing vehicles, etc. to enter the Zone from the territory of the South and exit from the Zone for the territory of the South.

Article 2 Basic Principles

1. The South and the North shall actively cooperate with each other to guarantee personnel’s and passing vehicles, etc.’s entry into, exit from, and stay in the Zone in an expeditious and safe manner.
2. The North shall guarantee personnel’s personal safety, entry and exit, and the conveniences necessary for carrying out the purpose of their stay.
3. Personnel shall observe the laws and orders applicable to the Zone.

Article 3 Entry and Exit Routes

The South and the North shall designate by mutual agreement, entry and exit routes from the Zone, such as railways, roads, and sea lanes. The routes for entry and exit already opened for use between the territory of the South and the Zone shall be deemed to have been designated under this Agreement.

Article 4 Procedures for Entry and Exit of Personnel

1. Personnel entering and exiting the Zone shall carry an

appropriate certificate issued by the South's relevant authorities, as well as an appropriate certificate issued by the Zone management organ ("Zone Management Organ") and use passing vehicles, etc. The North shall allow any person carrying the appropriate certificates to enter and exit from the Zone, unless any special circumstances exist.

2. Personnel staying or residing in the Zone may enter and exit from the Zone multiple times within the validity period of the certificate certifying his/her stay or residence in the Zone.
3. Personnel under fourteen (14) years of age may enter and exit the Zone, as long as he/she is duly listed as an accompanying person on the relevant certificate of a parent or guardian.
4. Personnel who are citizens of other countries shall carry an appropriate certificate issued by the Zone Management Organ, together with his/her passport.

Article 5 Procedures for Passing Vehicles, etc.

1. An automobile shall enter and exit from Zone along an entry and exit route, carrying an appropriate certificate related to its operation.
2. A ship shall enter and exit the Zone only after notifying the authority concerned of the North of a list of crew and passengers, and the time of arrival at and exit from the port, and obtaining approval thereof.
3. A train shall enter and exit from the Zone according to a

timetable agreed upon between the South and the North.

Article 6 Entry and Exit Inspection

1. The North shall conduct at the entering and exiting place an entry and exit inspection, customs inspection, and quarantine with respect to personnel and passing vehicles, etc. entering and exiting the Zone, in accordance with prescribed procedures.
2. The North shall guarantee the safety in the Zone and the conveniences of entry and exit of personnel and passing vehicles, etc. The South and the North shall actively cooperate with each other to ensure the Zone's security as well as the expeditious and accurate conduct of inspections and quarantines.
3. The North may conduct the inspections and quarantine on board passing vehicles, etc. entering and exiting from the Zone.

Article 7 Stay

1. Personnel shall stay in the Zone in the validity period of the appropriate certificate, and shall carry with him/her at all times a certificate confirming his/her entry, exit, or stay.
2. Personnel shall register his/her stay with the Zone entry and exit organ within forty-eight (48) hours of the time of arrival and receive on the appropriate certificate a stamp confirming the registration of his/her stay.
3. If personnel intends to stay beyond the duration of stay specified on his/her appropriate certificate, he/she shall apply

for extension of such duration to the relevant authority concerned of the South and the Zone Management Organ at least three (3) days prior to the end of the duration of stay, and obtain approval of such extension.

4. If personnel 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 Zone entry and exit organ.
5. Personnel who falls into any of the following categories is not required to register his/her stay hereunder:
 - A. Personnel exiting from the Zone within seven (7) days of the date of arrival;
 - B. Personnel who is staying over a long-term or resides in the Zone; and
 - C. Personnel who is exempt from such registration, by mutual agreement between the South and the North.
6. Personnel 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 Restricted Persons

The North may prohibit entry into and exit from, and stay in the Zone with respect 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 an infectious disease or an individual suspected of being infected with an infectious 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 entry and exit, stay, or residence by mutual agreement between the South and the North.

Article 9 Measures for Emergency Rescue

If an emergency situation occurs, such as a natural disaster or unexpected accident, the North shall take necessary measures to rescue the affected personnel and passing vehicles, etc. and the South shall cooperate with the North in this regard.

Article 10 Guarantee of Personal Safety

1. The North shall guarantee the inviolability of person, residence, and personal property of each person.
2. If personnel has violated any of the laws and orders applicable to the Zone, the North may cause the person to halt such violation and conduct an investigation of the violation. The North shall notify the South 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 South's territory, provided that an act of material violation agreed upon by the

South and the North shall be treated in accordance with a separate agreement between the South and the North.

3. The North shall guarantee the basic rights of the personnel while he/she is under investigation.
4. With respect to personnel who has violated any of the laws and orders applicable to the Zone and been expelled to the South's territory, the South shall conduct an investigation and take appropriate measures against him/her, taking into account the North's opinion, and shall notify the North of the result thereof. In addition, the South shall take necessary countermeasures against any recurrence of a violation of the laws and orders.
5. The South and the North shall actively cooperate to settle indemnities for personal injury, and/or damages to property that may arise due to any wrongful conduct of personnel.
6. If a foreigner has violated any laws and orders, such violation shall be treated in accordance with a treaty between the North and the foreigner's home country, if any.

Article 11 Passage between the Zone and the North's Territory outside the Zone

If personnel and passing vehicles, etc. leave the Zone to enter the North's territory outside the Zone, or leave the North's territory outside the Zone to enter the Zone, such passage shall be subject to procedures prescribed separately by the North.

Article 12 Exchange of Information and Cooperation

1. The South and the North shall notify each other 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 exist.
2. The South and the North shall form and operate a joint committee to address and settle all matters potentially arising in relation to entry, exit, and stay hereunder. The particulars concerning composition and operation of said committee shall be determined through a separate agreement between the South and the North.

Article 13 Settlement of Problems related to Interpretation and Application

Problems arising in relation to interpretation and application of this Agreement shall be discussed and settled by the Inter-Korean Economic Promotion Committee or the body delegated by the same committee.

Article 14 Scope of Application of the Agreement

This Agreement shall apply, with priority, to matters related to the entry, exit, and stay of personnel and passing vehicles, etc.

Article 15 Amendment and Supplementation

This Agreement may be amended or supplemented upon agreement

between the South and the North. Any amended or supplemented provision hereof shall come into effect upon completion of the procedure outlined in Article 16.1 hereof.

Article 16 Effectuation and Termination

1. This Agreement shall take effect on the date when the South and the North sign, and further exchange this Agreement after the completion of necessary formalities for effectuation of this Agreement.
2. This Agreement shall remain in force unless one of the parties notifies in writing its intention to terminate to the other party. The notice of termination shall take effect after six (6) months from the date of the notification.

This Agreement was executed in duplicate on January 29, 2004, and the two originals shall have the same effect.

Sehyeon Jeong

Inter-Korean Ministerial Level Talks
Chief Representative of the South's
Delegates

Minister of the Ministry of Unification,
ROK

Ryeongseong Kim

Inter-Korean High Level Talks
Chief of the North's Delegates

Chief Cabinet Councilor, DPRK



Four Agreements for Economic Cooperation

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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 historic "South-North Joint Declaration" announced on June 15, 2000 are inter-Korean domestic transaction and not transactions between two separate countries, and in order to protect the investment assets of the investors from each party and to provide favorable conditions for investment, agree as follows:

Article 1 Definitions

1. The term "investment assets" means every type of assets invested by investors of the South or 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. movables and real estate and other related property rights;
 - B. cash including reinvested returns and loans, and claims having economic value;
 - C. intellectual property rights, including rights with respect to copyrights, trademarks, patents, design rights, technical know-how, and other similar rights;
 - D. rights to a company or a public institution such as shares, stocks, corporate bonds and government or public bonds;
 - E. business rights having economic value conferred by law or under contract including permit to explore, extract or develop natural resources; and,
 - F. all other assets invested by an investor. Any changes in the 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. The term "investor" means any natural or juristic persons of a party who invest in the area of the other party and includes the following:
 - A. juristic persons such as companies, 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. The term "proceeds" means the funds derived from investments such as profit, interest, income from sale of property, dividends, royalties from copyrights and technology licensing and commissions, etc.
4. The term "business activities" means activities including the management of investment property and proceeds and liquidation of an enterprise.
5. The term "area" means an area under the jurisdiction of the South or the North.
6. The term "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 the other to make investments in each of their own

areas and shall grant permission for such investments in accordance with their laws and regulations.

In such case, amicable consideration shall be given to issues arising out of the entry and exit, stay and movement, etc. of persons in connection with 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 each of their own area in accordance with each of their own 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 occur based on an approved contract and articles of association.

Article 3 Treatment

1. The South and the North shall in their own areas provide legal treatment to investors, investment assets, proceeds and business activities of each other that is the same or more favorable than that provided to investors of other countries.
2. The South and the North are not obligated to accord to investors from the other party any treatment, preference or privilege accorded to investors of other countries by virtue of any customs union, economic union, common market agreement, regional or quasi-regional agreement, or double taxation avoidance treaty.

Article 4 Expropriation and Compensation for Losses

1. The South and the North shall not nationalize, expropriate, or 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. However, such measures may be taken for public policy reasons upon the investment assets of the other party's investors provided that they occur under legal procedures that do not discriminate compared with its own investors and investors from other countries. In the event property is expropriated, prompt, sufficient and effective compensation shall be provided.
2. The South and the North shall without delay pay compensation for any expropriation, including interest accrued 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 official announcement of the decision on the expropriation.
3. The South and the North shall not provide treatment less favorable than that accorded to its own investors or to investors from other countries with regard to restitution or compensation when the properties of investors from the other party suffer losses due to an armed conflict or other abnormal situation.

Article 5 Transfers

1. The South and the North shall guarantee that the following

transfers of investment-related payments of the investors from the other party are to be made freely and without delay into and out of each of their own respective areas in freely convertible currency:

- A. Initial capital investment and additional capital for maintaining and expanding the invested enterprise;
 - B. Income resulting from investments including profits, interest and dividends;
 - C. Loan repayment and its interest;
 - D. Income from the transfer or liquidation of investment assets;
 - E. Wages and other legal incomes related to investment received by the personnel of a party employed by an enterprise 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 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 shall not be violated.

Article 6 Subrogation

If one party or its designated agency pays compensation to its own

investors under a financial security 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 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 under 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 Inter-Korean Commercial Arbitration Committee established by mutual agreement of the South and the North.

The competent authorities of the South and the North 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 "Inter-Korean Ministerial Level Talks" or through such organization as designated thereby.

Article 8 Relationship with Other Laws, Agreements and Contracts

Laws of a party, international agreements of which the South and the North are parties, or contracts between a party and an investor

with more favorable investment provisions than accorded by this Agreement shall, to the extent of those provisions specifying a more favorable treatment, prevail over this Agreement.

Article 9 Provision of 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 investment related information to the other party without delay upon request.

Article 10 Scope of Application

This Agreement shall apply to all investments made in the areas of the other party by their investors, whether made before or after the effectuation of this Agreement.

However, this Agreement shall not apply to any disputes arising before the effectuation of this Agreement.

Article 11 Amendment and Supplementation

The South and the North may, if necessary, amend or supplement the provisions of the Agreement by mutual agreement. The amended or supplemented provisions shall take effect through the same procedures as provided in Article 12, Paragraph 1.

Article 12 Effectuation and Termination

1. The Agreement shall take effect on the date when the written

copies of the Agreement are exchanged after being signed by the South and the North and having also fulfilled the necessary formalities for effectuation.

2. The Agreement shall remain in force unless a party notifies its intention to repeal in writing to the other party. The notice of repeal shall take effect after six months from the date of the 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 when this Agreement became void.

This Agreement has been executed in duplicate on December 16, 2000, and each original copy shall have the same effect as the other.

Representing the South

Jaekyu Park

Republic of Korea

Minister of Unification

Chief Representative of the South

Delegates

The Inter-Korean Ministerial Talks

Representing the North

Kumjin Jeon

Democratic People's Republic of Korea

Chief Cabinet Councilor

Chief of the North Delegates

The Inter-Korean Ministerial Talks

Appendix

In both parties' Agreement the following terms shall have the same corresponding meaning.¹³⁾

13) Translator's Note : This appendix lists Korean terms differently used in the South's and the North's agreement each pair of which nonetheless has the same meaning. Their translation was intentionally omitted.

Agreement on Avoidance of Double Taxation on 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 inter–Korean domestic transactions and not transactions between two separate countries, and in order to avoid the double taxation of income, agree as follows:

Article 1 Definitions

1. The term “individual” means a natural person who is subject to taxation.
2. The term “corporation” means an enterprise, a company or any organization that is treated as a juridical person for taxation purposes.
3. The term “enterprise” means any entity qualified as a juridical person or any business entity carried on by an individual.
4. The term “permanent establishment” means a fixed place of business where the business of an enterprise is wholly or partially carried on.
5. The term “fixed base” means a fixed place of business where an individual independently furnishes personal services.

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6. The term "transportation" means any transportation by automobile, train, ship or aircraft operated between the South and the North, except when the automobile, train, ship or aircraft is operated solely within a party.
 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 Minister of Finance or the Minister's representative plenipotentiary in the case of the North.
 8. Any term not defined by this Agreement shall have the meaning that it has at that time under the taxation law of that party.

Article 2 Subject of Application

This Agreement shall apply to an individual or a corporation 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 the case of the South, individual income tax, corporate income tax and resident surtax on income tax; and,
 - B. in the case of the North, enterprise income tax, individual income tax and local tax on income.
2. The Agreement shall also apply to any identical or substantially similar taxes that are imposed after the date of execution 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 to the taxes covered under this Agreement.

Article 4 Resident Determination

1. "Resident" means any individual or corporation who, under the laws of that party, is subject to taxation based on their domicile, residence, place of management, place of registration, place of head or main office. But any individual or corporation who is subject to taxation in a party on the income generated from sources solely in that party shall not be deemed to be a resident.
2. Individuals that are residents of both parties shall be considered residents of one party for the purposes of this Agreement under the following circumstances:
 - A. Individuals shall be deemed a resident of a party if they have a home in the party where they permanently reside. However, if that individual has homes where they permanently reside in both parties, that individual shall be deemed to be a resident of the party where that person has closer economic interests;
 - B. If an individual does not have a home where the individual permanently resides in either party and if it cannot be determined where that individual has closer economic interests, then that person shall be deemed to be a resident of the party where that individual usually stays.
3. A corporation which is a resident of both parties shall be deemed to be a resident only of the party where its substantial management is located.
4. Where there are questions as to the residency status of an individual or corporation, the competent authorities of both parties shall settle the question by mutual consultation.

Article 5 Determination of Permanent Establishment

1. "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 field 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. "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 an enterprise or any other activity of a preparatory or auxiliary character such as advertising or collecting information.
3. Where an agent 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 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 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.

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5. No enterprise shall be considered a permanent establishment of another enterprise from the other party solely because it controls or is controlled by that enterprise.

Article 6 Income from Real Estate

1. Income derived by a resident of a party from real estate, including income derived from agriculture or forestry, situated in the other party may be taxed in that other party.
2. "Real estate" shall include any property accessory to real estate, the right to use land, mountains or forests, usufruct of real estate, rights to extract natural resources, livestock and equipment used in agriculture and forestry. However, ships and aircraft shall not be regarded as real estate. Unless this Agreement provides otherwise, "real estate" shall have the meaning as defined under the law of the party in which the property in question is located.
3. Paragraph 1 shall apply to income derived from the direct use, leasing, or use in any other form of real estate.
4. Paragraphs 1 and 3 shall also apply to income from real estate of an enterprise and to income from real estate used for the performance of independent personal services.

Article 7 Enterprise Profits

1. If an enterprise of a party derives profits from business carried on at a permanent establishment situated in the other party, such profits may be taxed by the other party. In this case, only

the profits that are attributable to that permanent establishment in the other party shall be taxed.

2. Profit which an enterprise in a party expects to gain from a permanent establishment in the other party shall be attributed to that permanent establishment if the permanent establishment in the other party is a separate enterprise which carries on the activities of the same industry under the same or similar conditions as that of the enterprise in the first-mentioned party to which it belongs, and runs independent business activities.
3. In determining the profits of a permanent establishment, expenses that are incurred for the operation of the permanent establishment, including management expenses and general administrative expenses, shall be treated as deductible expenses.
4. The profits of a permanent establishment shall be determined without deducting royalties, commissions, remuneration or any other similar payment paid as a consideration of intellectual ownership or consultation service furnished by the enterprise to which the permanent establishment belongs.
5. No profits gained from the purchase of goods or merchandise by a permanent establishment for the enterprise to which it belongs shall be attributed to the permanent establishment unless the 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 there is sufficient reason to change it.

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7. Where other Articles of this Agreement provide provisions regarding enterprise profits, those Articles shall apply.

Article 8 Transportation Income

1. Profits derived by a enterprise of a party from operating a means of transportation such as automobile, 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 automobile, 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 thereof.
3. Income derived from using or leasing a means of transportation including a container also shall be included in transportation income.
4. Paragraphs 1 and 2 shall also apply to profits derived from the participation in the joint management, joint investment or international business entities.

Article 9 Profits of Specially Related Enterprises

1. Under the following special conditions where two enterprises' commercial or financial relations differ from those that would be made between independent enterprises, then the profits of one of the enterprises may be taxed as profits that would, but

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- for those conditions, have accrued to the enterprise:
- 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 taxes the profits of an enterprise of that party including profits on which an enterprise of the other party has been charged to tax in that other party, if the relationship between the two enterprises is same as that between independent enterprises, then the party may make an 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 both parties shall, if necessary, consult each other.

Article 10 Dividends

1. Dividends paid by a corporation 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 where the dividends accrue. If the recipient of the dividends is the beneficial owner, the tax so charged shall not exceed 10 percent of the gross amount of the dividends. This paragraph shall not apply to taxes on the profits which are paid before the dividends were remitted.
3. "Dividends" shall include income derived from shares or rights

to participate in profits not being the income arising from claim for debt repayment, income from other rights that is subjected to the same taxation treatment as income from shares by the laws of the party, and income distributed to an individual or a corporation that participates in a joint company including an equity joint venture or contractual joint venture.

4. If the beneficial owner of the dividends, being a resident of a party, carries on business through a permanent establishment or fixed base in the other party where dividends accrue, or performs independent personal services there, this Article shall not apply to taxation on the dividends which are paid substantially connected with such permanent establishment or fixed base. Instead, the Article 7 or Article 14 shall apply.
5. Where a corporation that is a resident of a party derives profits which are not distributed to the residents in the other party or is not substantially connected to the permanent establishment or fixed base in the other party, such undistributed profit of dividends shall not be taxed 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 according to the laws of the party where it accrues. If the recipient of the interest is the beneficial owner, the tax so charged shall not exceed 10 percent of the gross amount of the interest.

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3. "Interest" shall include income from debt-claims such as national bonds, public bonds, or corporate bonds as well as premiums, or bounty attached to such bonds.
 4. If the beneficial owner of the interest, being a resident of a party, carries on business through a permanent establishment or fixed base in the other party where interest accrues, or performs independent personal services there, this Article shall not apply to taxation on the interest paid substantially connected with such permanent establishment or fixed base. Instead, Article 7 or Article 14 shall apply.
 5. Interest shall be deemed to arise in a party when the payer is a resident of that party. However, if there is a permanent establishment or fixed base which has the obligation to pay the interest and pays it, regardless of where the interest payer reside, such interest shall be deemed to arise in the party in which the permanent establishment or fixed base is situated.
 6. Where the amount of the interest accrued from a special relationship between the interest payer and the beneficial owner or between either of them and some other individual or corporation exceeds the amount which would have been in the absence of such relationship, this Article shall not apply to the excess part, but the laws of each party and the other provisions of this Agreement shall apply.
 7. Interest arising in a party and paid to the central or local administration or the central bank of the other party shall be exempt from taxation in the first-mentioned party.

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 according to the laws of the party where they arise. If the recipient is the beneficial owner, the tax so charged shall not exceed 10 percent of the gross amount of the royalties.
3. "Royalties" shall include payments 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, trademark, 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. If the beneficial owner of the royalties, being a resident of a party, carries on business through a permanent establishment or fixed base in the other party where royalties arise, or performs independent personal services there, this Article shall not apply to taxation on the royalties which are paid substantially connected with such permanent establishment or fixed base. Instead, Article 7 or Article 14 shall apply.
5. Royalties shall be deemed to arise in a party when the payer is a resident of that party. However, if there is a permanent establishment of fixed base which has the obligation to pay the royalties and pays them, regardless of where the royalties payer

reside, such royalties shall be deemed to arise in the party in which the permanent establishment or fixed base is situated.

6. Where the amount of royalties arising from a special relationship between the royalties payer and the beneficial owner or between either of them and some other individual or corporation exceeds the amount which would have been in the absence of such relationship, this Article shall not apply to the excess part, but the laws of each party and the other provisions of this Agreement shall apply.

Article 13 Capital Gains

1. Gains derived by a resident of a party from the sale of real estate 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 stocks or invested shares of a corporation, the assets of which consist principally of real estate situated in the other party, may be taxed in that other party.
3. Gains from the sale of a permanent establishment or fixed base that an enterprise of a party has in the other party or gains from the sale of some of the assets there may be taxed in that other party.
4. Gains from the sale of an automobile, train, ship or aircraft operated between the South and the North by a resident of a party and of property used for them shall be taxable only in that party.

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5. Gains from the sale of any property other than that referred to in the above paragraphs shall be taxable only in the party where the seller resides.

Article 14 Independent Personal Services

1. Income from independent personal services or other similar activities derived by a resident of a party while having a fixed base in the other party or staying in that other party for a period or periods aggregating 183 days or the longer in any twelve month period may be taxed in that other party.
2. "Independent personal services" includes especially independent activities of experts in science, education, culture, art as well as 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 in the other party may be taxed in that other party.
2. Remuneration derived by a resident of a party in connection with employment in the other party shall be taxable only in the first-mentioned party if:
 - A. the recipient stays 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 does not reside in the other party; or,
 - C. the remuneration is not paid by a permanent establishment

or a fixed base that the employer has in the other party.

3. Notwithstanding the paragraphs 1 and 2, remuneration derived in connection with the work on the transportation by automobile, 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 services in the other party for the authorities of the first-mentioned party shall be taxable only in the first-mentioned party.

Article 16 Directors' Remuneration

Directors' remuneration 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 Articles 14 and 15, income 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 derived by an artist or a sportsperson accrues to another person, that income may, notwithstanding the Articles 7, 14 and 15, be taxed in the party in which their activities are exercised.

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3. The activities of an artist or sportsperson exercised under the mutual agreement of or approval from both parties' authorities 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

Grant or scholarship that a student or trainee who was a resident of one party receives while staying in the other party for the purpose of living expenses, education or training as well as any payment arising from sources outside that other party shall be exempt from taxation in that other party.

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 while staying in the other party at the invitation of an academic institution, a university or any recognized educational institution shall be exempt from taxation in that other 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 Other Income

1. 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. If the beneficial owner of income, being a resident of a party, carries on business through a permanent establishment or fixed base in the other party, or performs independent personal services there, paragraph 1 shall not apply to taxation on the income paid substantially connected with such permanent establishment or fixed base. Instead, the Article 7 or Article 14 shall apply.

Article 22 How to Avoid Double Taxation

1. Where a resident of a party has paid or shall pay tax for the income derived 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 deducted from the tax payable in the first-mentioned party.
2. Where income of a resident of a party derived in the other party is reduced or exempted of the tax pursuant to the law or other measures, 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 less favorable than the taxation levied on a

resident of the first-mentioned party in the same circumstances.

2. A party shall not subject the company of the other party which has a permanent establishment to any taxation that is less favorable than taxation levied on the 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 tax credit, reductions and exemptions for taxation purposes that it grants to its own residents.
3. If interest, royalties and other disbursements paid by an enterprise of a party to a resident of that party is deducted in calculating profits of the company, such payments shall be deducted when they are paid to a resident of the other party. However, it is not the case where the Paragraph 1 of Article 9, Paragraph 6 of Article 11, or Paragraph 6 of Article 12 is applied.
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 to any taxation that is less favorable than the taxation levied on other similar enterprises of the first-mentioned party.
5. This Article shall apply only to taxes provided in Article 3.

Article 24 Mutual Agreement Procedure

1. An individual or a corporation that is levied on or expects taxation in violation of this Agreement may present their case to the competent authority of the party where it resides. It shall

be presented within three years from the first notification of the action concerned.

2. The competent authority to which the case presented 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. Problems arising in relation to the interpretation and application of this Agreement and double taxation avoidance shall be discussed and settled by the competent authorities of both parties, or by the Inter-Korean Ministerial Talks, or by its other designated organizations.

Article 25 Exchange of Information

1. The competent authorities of both parties shall provide each other with such information as is necessary for carrying out this Agreement including tax related laws and regulations.
2. Any information received by a party shall be used only for the purposes of levying or collecting tax, or settlement of disputes pursuant to this Agreement.
3. A party shall not request any information which is contrary to the legal or administrative measures or to public order from the other party.

Article 26 Amendment and Supplementation

If necessary, both parties may amend or supplement the provisions

of the Agreement by mutual agreement. The amended or supplemented provisions shall take effect through the same procedures as provided in Article 27.

Article 27 Effectuation

1. The Agreement shall take effect on the date when the written copies of the Agreement, which are signed by the South and the North and which have also fulfilled the necessary formalities for effectuation, are exchanged.
2. This Agreement shall apply as follows:
 - A. in respect of taxes subject to withholding, 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:

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- A. in respect of taxes subject to withholding, 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.

This Agreement has been executed in duplicate on December 16, 2000, and two originals have the same effect.

Representing the South
Jaekyu Park
Republic of Korea
Minister of Unification
Chief Representative of the South
Delegates
The Inter-Korean Ministerial Talks

Representing the North
Kumjin Jeon
Democratic People's Republic of
Korea
Chief Cabinet Councilor
Chief of the North Delegates
The Inter-Korean Ministerial Talks

Appendix

In both parties' Agreement, the following terms shall have the same corresponding meaning.¹⁴⁾

14) Translator's Note : This appendix lists Korean terms differently used in the South's and the North's agreement each pair of which nonetheless has the same meaning. Their translation was intentionally omitted.

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 historic "South-North Joint Declaration" announced on June 15, 2000 are inter-Korean domestic transactions and not transactions between two separate countries, 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:

Article 1 Principle 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. Disputes that cannot be resolved by mutual consultation shall be resolved through arbitration.

Article 2 Organization of Arbitration Committee

The South and the North shall establish the Inter-Korean Commercial Arbitration Committee (hereinafter referred to as the "Arbitration Committee") consisting of one (1) chairperson and four (4) Committee members appointed by each side to resolve commercial disputes arising in the course of economic exchanges and cooperation.

Article 3 Functions of 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 of the North and the South or between the party concerned of one side and the authority of the other side, and handling 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, and filed by a party concerned and handling matters related thereto;
3. Enactment, amendment, and supplement of the arbitration rules and the regulations relating thereto;
4. Appointment of arbitrators under Article 5, Paragraph 1;
5. Appointment of arbitrators under Article 10, Paragraph 3; and,
6. Any other functions conferred upon the Arbitration Committee by mutual agreement of both parties.

Article 4 Decision making by Arbitration Committee

Decisions of the Arbitration Committee shall be made by mutual agreement of both parties.

Article 5 Preparation and Exchanges of Register of Arbitrators

1. Both parties, 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 of one side, 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 as an arbitrator as provided under paragraph 1.

Article 6 Qualifications of Arbitrators

Arbitrators shall be persons who are well versed in laws and international trade and investment practices.

Article 7 Guarantee of Arbitrator's Activities

The South and the North shall ensure that the appointed arbitrators can perform their duties in a fair and impartial manner.

Article 8 Disputes under the Jurisdiction of Arbitration Committee

The Arbitration Committee shall have jurisdiction over the following disputes:

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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 a request for arbitration with its respective chairperson of the Arbitration Committee. The date on which the party concerned with the dispute submits the request for arbitration shall be regarded as the date of the receipt of the arbitration case. 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 request for arbitration shall notify such to the chairperson of the other side within ten (10) days.
3. Where a party concerned is designated as a respondent, the chairperson of the Arbitration Committee on that party's side shall notify such to such party within ten (10) days from the date of the receipt of a notice.

Article 10 Composition of Arbitral Tribunal

1. The arbitral tribunal shall consist of three (3) 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 prescribed 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 chair arbitrator.
3. Within fifty (50) days from the date of the receipt of the request for arbitration, in the case an arbitrator is not appointed, the chairperson of one side of the Arbitration Committee upon a request from the party concerned with the dispute, or in the case the chair arbitrator is not appointed, both chairpersons of the Arbitration Committee after mutual consultation shall appoint the arbitrator or the chair arbitrator from the register of arbitrators. In such case, appointment may be done in order by lot. The appointment of arbitrators shall be completed within thirty (30) days from the date of the receipt of the request.
4. In the case the chair arbitrator is not appointed in accordance with Paragraph 3, the chairperson of the Arbitration Committee may invite the International Center for the Settlement of Investment Disputes to appoint the arbitration tribunal chairperson.

Article 11 Venue of Arbitration

The venue of arbitration shall be determined by mutual

consultation between the parties concerned. In the case the venue of arbitration is not determined within ten (10) days from the date of establishment of the arbitral tribunal, the arbitral tribunal shall determine the venue of arbitration.

Article 12 Governing Law for 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 award tribunal shall be rendered pursuant to the relevant laws and regulations of the South or the North, general principles of international law, and the customary practice of international trade.

Article 13 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 law, and the date of the award. The arbitrators shall sign and seal the award.

Article 14 Time Limit for Award

The arbitral award shall be rendered within six (6) months from the date of the receipt of the request for arbitration. If necessary, the arbitral tribunal may extend the time limit up to three (3) months by mutual consultation with the parties concerned.

Article 15 Non-disclosure of Arbitral Award

The arbitral tribunal shall not disclose the arbitral award without

the consent of the parties concerned.

Article 16 Performance, Recognition, and Enforcement of Arbitral Award

1. The party concerned shall perform its obligations under the arbitral award.
2. In the 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 for the enforcement thereof with a relevant court in the competent jurisdiction.
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 the case there is a request for conciliation filed by both parties concerned after the receipt of the request for arbitration, the Arbitration Committee shall suspend the arbitral proceedings and commence the conciliation proceeding.
2. The parties concerned shall appoint one (1) or three (3) conciliators by mutual agreement. The conciliators shall determine the procedure and method of the conciliation.

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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 the case the disputes are not resolved through conciliation within thirty (30) days from the date of the appointment of the conciliator(s), the conciliation proceedings shall be concluded 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 this Agreement based on mutual consultation. The amended or supplemented provisions shall become effective through the same procedures as provided in Article 19, Paragraph 1.

Article 19 Effectuation and Termination

1. This Agreement shall take effect on the date when the written copies of the Agreement are exchanged, after being signed by the South and the North and having also fulfilled the necessary formalities for effectuation.

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2. This Agreement shall remain in effect unless one of the parties notifies its intention to repeal the Agreement in writing to the other party. The notice of repeal shall take effect after six (6) months from the date of such notification.
 3. Requests for arbitration received during the effective term of this Agreement shall be processed in accordance with Article 1 to Article 17 even after this 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 (6) months from the date this Agreement is signed.

This Agreement has been executed in duplicate on December 16, 2000, and two originals shall have the same effect.

Representing the South
Jaekyu Park
Republic of Korea
Minister of Unification
Chief Representative of the South
Delegates
The Inter-Korean Ministerial Talks

Representing the North
Kumjin Jeon
Democratic People's Republic of
Korea
Chief Cabinet Councilor
Chief of the North Delegates
The Inter-Korean Ministerial Talks

Appendix

In both parties' Agreement, the following terms shall have the same corresponding meaning.¹⁵⁾

15) Translator's Note : This appendix lists Korean terms differently used in the South's and the North's agreement each pair of which nonetheless has the same meaning. Their translation was intentionally omitted.

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 historic "South-North Joint Declaration" announced on June 15, 2000 are internal transactions within one nation and not transactions between two separate countries, and in order to establish a clearing settlement system for economic transactions, agree as follows:

Article 1 Subject of 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 Limitation of 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.

Article 3 Designation of Clearing Settlement Bank and Opening of Clearing Account

The South and the North shall each designate a bank for the clearing settlement and shall open a clearing account therein under the name of the other party's 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 Clearing Period

The period of the clearing settlement shall be from January 1 to December 31 of each year. The balances due in the 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 shall by mutual agreement determine the settlement procedures and methods for implementing this Agreement.

Article 8 General Settlement

The settlement of payments 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 hereto.

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 Effectuation, Amendment and Supplementation

1. This Agreement shall take effect on the date on which the written copies of the Agreement, which have been signed by the South and the North and which have also fulfilled the necessary formalities for effectuation, are exchanged.
2. The provisions of this Agreement may be amended and supplemented by mutual agreement of both parties hereto. The amended and supplemented provisions shall take effect through the same procedures as provided in paragraph 1.
3. Within six (6) months from the date that this Agreement has

been signed, the South and the North shall determine by mutual agreement the goods and the quantity 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 December 16, 2000, and two originals shall have the same effect.

Representing the South
Jaekyu Park
Republic of Korea
Minister of Unification
Chief Representative of the South
Delegates
The Inter-Korean Ministerial Talks

Representing the North
Kumjin Jeon
Democratic People's Republic of
Korea
Chief Cabinet Councilor
Chief of the North Delegates
The Inter-Korean Ministerial Talks

Appendix

In both parties' Agreement, the following terms shall have the same corresponding meaning.¹⁶⁾

16) Translator's Note : This appendix lists Korean terms differently used in the South's and the North's agreement each pair of which nonetheless has the same meaning. Their translation was intentionally omitted.



Other Related Agreements

- ④ Agreement on Procedures for Verification of Place of Origin of Goods Traded between the South and the North317
- ④ Agreement on Formation and Operation of Inter-Korean Commercial Arbitration Committee325
- ④ Framework Agreement on Motor Vehicle Operation between the South and the North335
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- ④ Agreement on Military Guarantees for Passage, Communication and Customs Clearance in Joint Administration Area in East and West Seas361

Agreement on Procedures for Verification of Place of Origin of Goods Traded between the South and the North

In order to promote and develop inter-Korean economic cooperation as domestic transactions in line with the spirit of June 15th Joint Declaration and to properly establish trading practices, the South and the North agree on the method and procedures to verify the place of origin of goods traded between the South and the North as follows:

Article 1 Scope of Application

This Agreement shall apply to any and all goods to be traded between the South and the North.

Article 2 Issuer of Certificate of Origin

1. A certificate of origin regarding goods to be traded between the South and the North shall be issued by the competent customs house or the Korea Chamber of Commerce & Industry in the South and the DPRK's National Economic Cooperation Federation in the North (hereinafter referred to as "Issuer"), respectively.
2. Within fifteen (15) days of the signing and exchange of this Agreement, each Party shall provide the other Party with the seal impression and the Certificate of Origin form used by its Issuer(s) and other related matters related to the Issuer(s). In the event of any change in the foregoing, the Party shall

promptly inform the other Party of such change.

3. The Issuer of each Party shall keep and maintain any and all documents or copiers thereof submitted by applicants for certificates of origin for five (5) years.

Article 3 Certificate of Origin

1. A certificate of origin issued for goods shall include the shipper, consignee, manufacturer, place of manufacture, mode of transport, description of goods, number and kind of packages, quantity, and weight of the goods, place, the date and number of issuance of the certificate of origin, the Issuer of the certificate of origin and its seal impression.
2. A certificate of origin shall remain in full force and effect for one (1) year of the date of issuance.
3. A certificate of origin shall be prepared either in Korean or both in Korean and English.

Article 4 Criteria for Determination of Place of Origin

1. In the event that the goods shipped either from the South or from the North fall under any of the following categories, such goods shall be deemed to be originated from the South or the North, as the case may be:
 - A. Where the goods were in their entirety, produced, processed or manufactured in the South or the North;
 - B. In the event that the production, processing or manufacture of the goods involved two or more countries, where the last

substantial transformation of the goods has taken place either in the South or in the North.

2. Any of the following goods shall not be deemed to be originated from the Party as provided in Paragraph 1 above:
 - A. The goods that were produced in a third country and simply went through the territory of the South or the North;
 - B. The goods that were simply packed, labeled, sorted, cut, cleaned or assembled in the territory of the South or the North;
 - C. The goods that underwent the operations in the South or the North required for their transportation or storage;
 - D. The goods that underwent the process of combining or mixing in the territory of the South or the North with other goods of a different place of origin to the extent that their characteristics remain the same;
 - E. The beef, pork or other meat products that were merely slaughtered in the territory of the South or the North;
 - F. The goods that were only dried, chilled, frozen, milled, salted, simply heated (fried or baked), peeled or seeded in the territory of the South or the North; or
 - G. Any other goods determined by the Parties by way of consultation.

Article 5 Procedures for Verification of Place of Origin

1. If one Party questions the authenticity of a certificate of origin, such Party may request the other Party to verify it by providing the other Party with the following information:
 - A. Reasons why that Party questions the authenticity and the particulars that need to be verified;
 - B. An original or duplicate copy of the certificate of origin in

-
- question; and
- C. Other documents necessary for the verification of place of origin, including the relevant commercial invoice.
2. Such request for verification and a notice of verification results shall be dependent upon the manner in which inter-Korean economic exchanges take place or as the Parties may otherwise agree.
 3. The Party receiving such request for verification shall, within thirty (30) days of receipt of such request, inform the other Party of the verification results including the documents verifying the place of origin and the evidence of release and delivery, unless special circumstances exist, provided that the said time frame may, if necessary, be extended for up to thirty (30) days.
 4. If the Party receiving such request for verification is unable to inform the other Party of verification results or otherwise desires to extend the thirty day time frame for unavoidable reason, such Party shall inform the other Party of the reasons for such failure or extension and the expected date of notification.
 5. If the Party receiving such request for verification, without special reasons, fails to inform the other Party of verification results within the agreed time frame or if the place of origin is proved to be different from the one stated in the certificate of origin, the place of origin of the goods in question may not be deemed to be originated from the South or the North, as the case may be.

-
6. If necessary for the verification purposes, each Party shall permit representatives of the verifying authority of the other Party to access the relevant sites and accordingly provide the convenience and safety guarantee for such representatives.

Article 6 Verifying Authority of Place of Origin

1. Such request for verification and notice of verification results in accordance with Article 5 hereof shall be given by the competent customhouse in the South and National Economic Cooperation Federation in the North, respectively.
2. Within fifteen (15) days of the signing and exchange of this Agreement, each Party shall inform the other Party of the address of its authority and the person in charge under Paragraph 1. In the event of any change in the foregoing, the Party shall promptly inform the other of such change.

Article 7 Exemption from Submission of Certificate of Origin

1. Neither Party may demand the other Party to submit a certificate of origin for any of the following goods:
 - A. Goods worth less than or equal to 500 Euro that are sent in a small amount to an individual, under separate cover, or hand carried by a tourist;
 - B. Goods worth less than or equal to 100 Euro that are traded in the ordinary course of business;
 - C. Mail; or
 - D. Goods delivered temporarily for subsequent return.

-
2. In order to promote the trade between the Parties, a certificate of origin may, upon agreement between the Parties, be exempted from submission in respect of any goods, other than those set forth in Paragraph 1 above, the place of origin of which is deemed to be either Party in light of the type, nature, trademark or manufacturer of the goods.

Article 8 Working-Level Council for Verification of Place of Origin

1. The Parties shall organize and operate a working-level council for verification of place of origin to discuss the following matters:
 - A. Matters related to the verification of the authenticity of a certificate of origin;
 - B. Matters related to the detailed criteria for verification of place of origin;
 - C. Other matters required to maintain fair trade practices and orderly customs clearances between the South and the North; and
 - D. Exchange between the Parties of other information and data related to customs clearances and unfair trade practices.
2. The working-level council shall consist of three (3) to five (5) members from each Party.
3. The working-level council meetings shall be convened by agreement between the Parties, whenever necessary;
4. The detailed criteria for verification of place of origin referred to in Paragraph 1 above shall be an essential part of this

Agreement as Appendix hereto, having the same validity as this Agreement.

Article 9 Interpretation and Application

Any disputes that may arise out of the construction and application of this Agreement shall be resolved through discussion by the Inter-Korean Economic Cooperation Committee.

Article 10 Amendment, Supplementation and Effectuation

1. This Agreement may be amended or supplemented upon mutual agreement.
2. This Agreement shall take effect thirty (30) days after the Parties sign and exchange this Agreement.

The Parties have caused this Agreement executed in two (2) counterparts as of July 31, 2003, each of which shall have the same effect as an original copy.

July 31, 2003

The Inter-Korean Economic
Cooperation Committee
Chairperson from the South
Kwangrim Kim
Vice Minister of Finance and Economy
Republic of Korea

The Inter-Korean Economic
Cooperation Committee
Chairperson from the North
Changryeon Park
First Vice Chairperson of the State
Planning Commission
Democratic People's Republic of
Korea

Appendix

In both parties' Agreement, the following terms shall have the same corresponding meaning.¹⁷⁾

17) Translator's Note : This appendix lists Korean terms differently used in the South's and the North's agreement each pair of which nonetheless has the same meaning. Their translation was intentionally omitted.

Agreement on Formation and Operation of Inter-Korean Commercial Arbitration Committee

In order to promote and develop inter-Korean economic cooperation in line with the spirit of June 15th Joint Declaration and to resolve any dispute defined in the Agreement on Procedures for Resolution of Inter-Korean Commercial Disputes and Article 7 of the Agreement on Investment Protection between the South and the North in a fair and expeditious manner and in the common interest, the South and the North agree to form and operate the Inter-Korean Commercial Arbitration Committee (hereinafter referred to as the "Committee") as follows:

Article 1 Legal Standing of Committee

1. The Committee shall be a commercial dispute resolution organization formed to perform the functions set forth in Article 3 of the Agreement on Procedures for Resolution of Inter-Korean Commercial Disputes (hereinafter referred to as the "Agreement"). The Committee shall have legal standing as an independent juristic person both in the South and in the North.
2. Each Party's side of the Committee shall have the power to execute a contract, acquire and dispose of assets and raise a lawsuit to the extent necessary for the performance of its functions.

Article 2 Organization of Committee

1. Each side of the Committee shall consist of one (1) chairperson

and four (4) members ("Members"), which shall be appointed by the Parties.

2. The South and the North shall appoint their respective chairpersons and the Members shall be familiar with the law and international trade and investment practices or experts in other necessary areas.
3. The chairpersons shall jointly represent the Committee.
4. If there occurs a vacancy on either side of the Committee or if either of the chairpersons or any of the Members is not able to perform its duties, the side of the Committee shall appoint a successor and immediately inform the other side. The term of the chairperson or Member appointed to fill the vacancy shall be the remainder of the term of its predecessor.
5. The chairpersons and the Members shall have a four (4) year term of office and may be consecutively reappointed upon expiration of the term.
6. The chairpersons and the Members shall continue to perform their duties until their successors are appointed.
7. Each chairperson may have such number of assistants as necessary to facilitate the operation of the Committee.
8. Each chairperson shall appoint one (1) secretary on its side of the Committee.

Article 3 Functions of Committee

1. The Committee shall be responsible for and in charge of any projects related to the functions set forth in Article 3 of the Agreement.
2. The Committee shall immediately discuss and determine, to the extent authorized to do so, a challenge to arbitrator or appraiser, an objection to arbitrator's powers or the arbitral tribunal's scope of powers, or a motion for revocation of an arbitral award that may be filed by either Party, or other issues that may arise in the course of case handling procedures; provided, however, that a challenge to an appraiser may only be filed against any of such appraisers as designated by the arbitral tribunal or mediators.
3. The Committee shall approve and register the arbitrators appointed by each Party.
4. The Committee shall prepare and implement measures to resolve in a fair and effective manner any commercial disputes that may arise out of the economic exchanges and cooperation between the South and the North in accordance with the development of inter-Korean economic exchanges and cooperation.

Article 4 Effect of Committee's Decisions

The judicial authority of the South or the North may not reconsider any decision made by the Committee in accordance with Paragraphs 1 and 2 of Article 3 above.

Article 5 Procedures for Operation of Committee Meetings

1. The Committee meeting shall be convened in any of the following cases:
 - A. Where deemed necessary by one chairperson or both and so agreed by and between both chairpersons; or
 - B. Where requested by the arbitral tribunal or mediators.
2. If a Committee meeting is to be convened, each chairperson shall, at least fifteen (15) days prior to the scheduled date of such meeting, inform its Members of the date of such meeting and the agenda to be discussed therein; provided, however, that the said time frame may be adjusted upon agreement between the chairpersons.
3. A meeting of the Committee shall be deemed to have been duly convened if at least three (3) Members of each side, including the chairperson, are present at the meeting.
4. A meeting of the Committee shall be jointly presided by the chairpersons, unless otherwise agreed between the chairpersons.
5. A meeting of the Committee shall be held in private. However, the meeting may be held in public where both Parties have agreed to do so. Any meeting convened to resolve a particular dispute shall be made public only with consent from the parties thereto.
6. The agenda to be discussed at a meeting of the Committee shall be determined by mutual agreement of both Parties. If any

motions indicated in paragraph 2 of Article 3 above were discussed at a meeting but were not determined by mutual agreement between the Parties, such motion shall be deemed to have been dismissed.

7. A meeting of the Committee may be held in writing as long as the chairpersons agree to do so. In such case, if the chairpersons officially sign and exchange the discussions at the meeting, a mutual agreement shall be deemed to have been reached.
8. The Committee may, upon agreement between the chairpersons, have arbitrators, mediators or experts attend a meeting of the Committee.
9. Any other matters necessary in relation to the operation of meetings of the Committee shall be agreed upon by and between both Parties.

Article 6 Venue of Meeting

Each meeting of the Committee shall be held at such place as agreed between the chairpersons.

Article 7 Exchange of List of Arbitrators

1. Each Party in the Committee shall prepare its list of arbitrators and inform the other side of the list together with their curriculum vitae. Any change in the list shall be informed in the same manner.

-
2. Either side of the Committee may, if deemed necessary, request the other side to provide supplementary accounts on such curriculum vitae, in which case the other side shall cooperate with the requesting side in good faith.

Article 8 Revocation of Arbitral Award

1. A request may be filed by either Party for revocation of an arbitral award in accordance with the arbitration rules within three (3) months of receipt of the arbitral award.
2. If the arbitral award has been revoked, arbitration may, upon request of any Party, be conducted again.
3. If the Committee fails to reach an agreement on such request for revocation of an arbitral award within three (3) months after the commencement of its deliberation, such request shall be deemed to have been dismissed. The Committee may, upon request of any Party, extend the said deliberation period for another three (3) months.

Article 9 Guarantees for Committee's Activities

1. The South and the North shall cooperate with the Committee in ensuring that the arbitrators and mediators will be able to perform their duties and activities.
2. The South and the North shall guarantee the conditions, including the personal safety, access and communication, for the chairperson and the Members from each Party and such representatives as designated and notified in advance by the

chairperson to be responsible for dispute resolution to be able to properly perform their duties to resolve any dispute under the jurisdiction of the Committee.

3. If either or both of the Parties to the dispute are government authorities, the Committee and its property shall not be subject to any court trial of the judicial authority of either the South or the North to the extent that the Committee performs arbitration or mediation or other related activities.
4. Any of the persons listed in Paragraph 2 above shall be exempt from any litigation before the judicial authority of either the South or the North in respect of any conducts directly related to its duties. However, where both Parties in the Committee have agreed to waive such privilege, this waiver clause shall not be applicable.
5. Unless special circumstances exist, the Parties shall guarantee that any Party to a dispute, its representatives, witnesses, and appraisers be able to attend the dispute resolution proceedings.

Article 10 Appointment of Secretariats of Committee and Their Role

1. The South and the North shall each appoint a secretariat to handle arbitral affairs on its side (each "Secretariat").
2. Each Secretariat shall perform the following duties:
 - A. Keep and maintain the lists of arbitrators from both Parties of the Committee and their curriculum vitae provided by the Committee;

-
- B. Keep and maintain original copies of arbitral awards and any and all documents submitted in the arbitration or mediation proceedings and issue and deliver certified copies or counterparts of such documents; and
 - C. Handle such other matters necessary for the operation of the Committee as designated by its chairperson.
3. Neither Party may interfere with the archive established by the Secretariat on its side of the Committee to handle the Committee's affairs.

Article 11 Finance of Committee

1. The Committee shall have separate operating funds in the South and the North, respectively.
2. Of all costs and expenses incurred by the Committee, common costs and expenses shall be equally shared between both Parties, with the remaining borne by the incurring Party.
3. Funds shall be used for the operation of the Committee and the conduct of arbitration and other activities.
4. None of the chairpersons, the Members and their assistants shall be paid separate remuneration by the Committee.

Article 12 Notice

Any and all notices from one chairperson to the other shall be given through Panmunjom liaison officers, unless specifically otherwise agreed by the chairpersons. Any notice given through

Panmunjom liaison officers shall be deemed to have been received on the date of delivery to the liaison officer of the other Party.

Article 13 Discussion, Amendment and Supplementation

1. The Parties shall request the Inter-Korean Economic Cooperation Promotion Committee or its designee to resolve any controversy that may arise out of the construction and application of this Agreement and further shall follow any decision made by the Inter-Korean Economic Cooperation Promotion Committee.
2. Any terms or conditions of this Agreement may, if necessary, be amended or supplemented upon mutual agreement. Such amendment or supplement shall take effect after the procedures set forth in Paragraph 1 of Article 14 below are taken.

Article 14 Effectuation and Termination

1. This Agreement shall take effect on the date when both Parties, having respectively followed the formalities for effectiveness hereof, sign and exchange this Agreement.
2. This Agreement shall remain in full force and effect unless either Party gives the other Party a written notice of its intent to terminate this Agreement. Any notice of termination shall take effect six (6) months after the delivery.
3. Any request for arbitration filed during the term of this Agreement shall be handled in accordance with this Agreement even after this Agreement becomes null and invalid.

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4. Within six (6) months after this Agreement takes effect, the Parties shall form the Committee and exchange their respective draft arbitration rules.

The Parties have caused this Agreement to be executed in two (2) duplicates as of October 12, 2003, each of which shall have the same effect as the original copy.

The Inter-Korean Economic
Cooperation Promotion Committee
Chairperson from the South
Kwangrim Kim
Vice Minister of Finance and Economy
Republic of Korea

The Inter-Korean Economic
Cooperation Promotion Committee
Chairperson from the North
Younggeon Choi
Vice Minister of Construction and
Building Materials Industries
Democratic People's Republic of
Korea

Appendix

In both Parties' Agreement, the following terms shall have the same corresponding meaning.¹⁸⁾

18) Translator's Note : This appendix lists Korean terms differently used in the South's and the North's agreement each pair of which nonetheless has the same meaning. Their translation was intentionally omitted.

Framework Agreement on Motor Vehicle Operation between the South and the North

Based on the spirit of the historic June 15th Joint Declaration, the South and North agree on the operation of motor vehicles on the roads connecting the territories of the South and the North as follows:

Article 1 Definitions

1. The term "Vehicle Operation Office" means an office with parking lots to be built by each Party in its territory close to the Military Demarcation Line.
2. The term "Section" means the section of traffic road between the border parking lots in both parties, and the term "Motor Vehicles" means motor vehicles of any type whatsoever, including passenger cars, trucks, and trailers, operating in the Section or on other routes with required approval.
3. The term "accident" means the occurrence of death or personal injury, damage to property, or loss of property in relation to a Motor Vehicle in operation.

Article 2 Basic Principles

1. The South and the North shall guarantee, to the fullest extent, the safe operation of Motor Vehicles operating in its own territory and the safety and convenience of drivers and passengers on such Motor Vehicles.

-
2. Matters relating to any military guarantees related to the operation within the Military Demarcation Line Joint Administration Area shall be as determined between the military authorities of the Parties.
 3. The South and the North shall accept and acknowledge any and all certificates, including driver's licenses, issued by the other Party to drivers and Motor Vehicles.

Article 3 South-North Road Operation Joint Committee

1. The South and the North shall form and operate the South-North Joint Road Operation Committee (hereinafter referred to as "Joint Committee") to guarantee the normal operation of Motor Vehicles. The Joint Committee shall discuss the following matters:
 - ① Matters relating to traffic control of vehicles crossing the border;
 - ② The investigation of the cause of an Accident and after-the-fact-handling;
 - ③ Normal safety checks within the Section;
 - ④ Exchange of information and data; and
 - ⑤ Other matters required to be discussed between the Parties.
2. The Joint Committee shall consist of five (5) members including one (1) representative from each Party:
 - ① Each Party shall appoint the members, including the representative;

-
- ② Each Party shall inform the other Party of any replacement of the Representative or a Member;
 - ③ The Joint Committee shall guarantee the safety and convenience of the personnel from one Party who visit the territory of the other Party to attend a meeting of the Joint Committee, while the minutes of meetings and other practical matters related to the meeting shall be determined according to the practices prevalent between the Parties.
3. The Joint Committee meetings shall be held as follows:
- ① The Joint Committee shall, in principle, have one (1) ordinary meeting each quarter and may have an extraordinary meeting from time to time if necessary and as agreed;
 - ② Meetings of the Joint Committee shall be held alternately in principle at the Vehicle Operation Offices of each Party and, may be held, if necessary, at such Vehicle Operation Office or a third place as agreed between the Parties.
4. Any agreement reached at a meeting of the Joint Committee shall take effect on the date on which the representatives sign and exchange the written agreement.

Article 4 Procedures and Methods of Vehicle Operation

1. If any driver from one Party desires to operate a Motor Vehicle in the other Party's territory, the driver shall submit to the head of the host Vehicle Operation Office for approval an application for the vehicle operation permit. Detailed procedures and methods related to the application and approval shall be

discussed and determined by the Joint Committee.

2. Upon receipt of such application, the head of the host Vehicle Operation Office shall review it and inform the home Vehicle Operation Office of review results.
3. A driver with an approval for the vehicle operation shall go through immigration procedures upon arrival at the visiting territory and shall not operate its Motor Vehicle on any routes other than those designated for the approved purposes.
4. A driver shall operate its Motor Vehicle in full compliance with the traffic rules and signal system implemented in the visiting territory.
5. Each Motor Vehicle in operation shall have such mark on it as determined by the Joint Committee.
6. If it becomes necessary for a driver to change the routes in the visiting territory, a new approval shall be obtained from the head of the host Vehicle Operation Office or transportation authority. In such case, the head of the host Vehicle Operation Office shall inform the home Vehicle Operation Office of the approval.
7. The South and the North may each oversee the visiting drivers for any deviation from the operation purposes, violation of the traffic rules, or the social and public morality and revoke their approval for the operation if such deviation is serious, in which case the revocation shall be immediately notified to the home Vehicle Operation Office. In such case, the affected Motor

Vehicle and the driver shall be returned through the home Vehicle Operation Office.

8. If one Party implements a temporary traffic halt due to a natural disaster, road repair work, or other cause, the Party shall so inform the other Party's Vehicle Operation Office and resume the traffic promptly upon removal of such cause.

Article 5 Cross Notification, and Communication and Liaison

1. The head of each Vehicle Operation Office shall inform the other Vehicle Operation Office of departure or arrival of any Motor Vehicle.
2. The South and the North shall install and operate the direct telephone service and the facsimile equipment at each of their respective Vehicle Operation Offices for the purpose of informing the operation of Motor Vehicles and cross notification.
3. The South and the North may each, if necessary, have liaison officers in order to have a liaison system available between the two Parties.

Article 6 Exchange of Information

1. The South and the North may provide each other with their respective traffic rules, signal system, road conditions and other data necessary for the safe vehicle operation.
2. If one Party requires the other Party to provide the information

and data related to the vehicle operation, the other Party shall, in the absence of special circumstances, cooperate with the requesting Party.

Article 7 Restrictions on Passengers and Freight

1. The person responsible for the operation of a Motor Vehicle shall not carry any of the following persons in the Motor Vehicle:
 - ① Drug addicts, infectious patients, or other persons deemed likely to be harmful to public health;
 - ② Any person with firearms, lethal weapons, gunpowder, etc.;
 - ③ Any person considered likely to disturb or interfere with social and economic order;
 - ④ Any person considered likely to impair the common interest or safety of the Parties; or
 - ⑤ Any other person similar to the foregoing and considered inappropriate to ride the Motor Vehicle.

2. A Motor Vehicle in operation shall not carry any of the following articles of freight:
 - ① Firearms, lethal weapons, gunpowder, or other goods of any type whatsoever that may be dangerous to public safety;
 - ② Drugs, medicine, hazardous products, radioactive or poisonous goods that may be harmful to the public health;
 - ③ Goods deemed likely to disturb or interfere with social and economic order;
 - ④ Goods that are not appropriate for the traveling purpose in light of the nature or quantity; or

-
- ⑤ Any other goods similar to the foregoing and deemed inappropriate to carry in the Motor Vehicle.

Article 8 Toll Payments and Exemptions

1. A Motor Vehicle in operation in the Section shall pay a toll or fee as determined by the Joint Committee.
2. In light of reciprocity, each Party may, in part or in whole, exempt a Motor Vehicle from the payment of various fees and charges incurred in relation to registration and inspection of the Motor Vehicle. Details of such exemption shall be determined by the Joint Committee.

Article 9 Operation Safety and Handling of Accident

1. Each Party shall take emergency relief measures in case of any Accident that may occur to a visiting Motor Vehicle and shall immediately inform the other Party of such Accident and guarantee to provide various conveniences to the other Party.
2. The examination of the cause of such Accident shall be carried out in principle by the Party with control over the location in which such Accident took place and, under special circumstances, may be carried out in the presence of the liaison officer or staff from the other Party.
3. In any of the following cases, the South and the North shall organize and operate a joint investigation team of an equal number of members from each Party:

-
- ① Where ten (10) or more persons are injured or where there is a death in an Accident;
 - ② Where an Accident resulting in damage of EURO 10,000 or more to the Motor Vehicle or freight has occurred; or
 - ③ Where the cause of an Accident is unclear or where there is a need for the other Party to join the investigation into the Accident.
4. As soon as the result of an investigation comes out, either the South or the North shall notify the other Party of such investigation result.
 5. In the case where any Motor Vehicle is missing even after the expiry of the term of the approval for the vehicle operation, each Party shall inform the other Party of such fact and further shall provide cooperation in locating such Motor Vehicle.

Article 10 Compensation for Damages

1. The driver of a Motor Vehicle shall be liable to indemnify any victim of the Accident for any damage suffered if the Accident is determined to have occurred due to a cause attributable to the driver.
2. If the Accident was caused by both parties or remains unaccounted for, both parties shall be jointly responsible for the Accident, and neither party shall be held liable for any Accident caused by a natural disaster.
3. The driver of a Motor Vehicle shall procure and keep valid an insurance policy acceptable to the Parties to cover its liability

to pay damages.

Article 11 Handling of Motor Vehicle Breakdown

1. If a Motor Vehicle breaks down in the Section, the driver shall, in principle, have the Motor Vehicle repaired.
2. If such repair is impossible or there occurs a shortage of technology, fuel or auto parts in the Section, the driver of the visiting Motor Vehicle may request the other Party to provide technical assistance or auto parts, and the other Party shall comply with such request.
3. If one Party provides technical assistance or auto parts to the other Party, such Party may demand the other Party to pay the costs incurred.

Article 12 Appendix

Detailed terms and conditions necessary for the implementation of this Agreement shall be determined by the Joint Committee and set forth in an Appendix hereto.

Article 13 Scope of Application

1. This Agreement shall apply to any and all Motor Vehicles, and any matters not contained herein shall be in accordance to the international cooperation and custom related to road traffic.
2. Any matters pertaining to the operation of vehicles mobilized in relation to inter-Korean talks or other exchanges which are to be

conducted under agreement between the South and North Korean governments may be separately determined by mutual agreement.

Article 14 Amendment and Supplementation

Any terms or conditions of this Agreement may, if necessary, be amended or supplemented upon mutual agreement. Such amendment or supplement shall take effect after the procedures set forth in Article 15 below are taken.

Article 15 Effectuation and Termination

1. This Agreement shall take effect on the date when both Parties, having respectively followed the formalities for effectiveness hereof, sign and exchange this Agreement.
2. This Agreement shall remain in full force and effect unless either Party gives the other party a written notice of its intent to terminate this Agreement. Any notice of termination shall take effect after six (6) months from the date of notification of such termination.

December 6, 2002

The Inter-Korean Economic
Cooperation Promotion Committee
Chairperson on the South's side
Jinshik Yoon
Vice Minister of Finance and Economy
Republic of Korea

The Inter-Korean Economic
Cooperation Promotion Committee
Chairperson on the North's side
Changryeon Park
First Vice Chairman of the State
Planning Commission
Democratic People's Republic of
Korea

Appendix

In both Parties' Agreement, the following terms shall have the same corresponding meaning.¹⁹⁾

19) Translator's Note : This appendix lists Korean terms differently used in the South's and the North's agreement each pair of which nonetheless has the same meaning. Their translation was intentionally omitted.

Framework Agreement on Train Operation between the South and the North

Article 1 Definitions

1. The term "Border Station" means the station located in the territory of the South and the North closest to the Military Demarcation Line, and "Train Operation Office" means the office installed at each "Border Station."
2. The term "Section" means the railway route connecting the Border Stations, and "Train" means a train operating in the Section.
3. The term "Railway Staff" means, collectively, the crew of a train and the operating and maintenance staff working in the Section.
4. The term "Accident" means death or personal injury, damage to train or railway facilities, or loss or damage of freight that occurs in the Section.

Article 2 Basic Principles

1. The South and the North shall guarantee the safe operation of Trains and the safety and convenience of all personnel, including the Railway Staff and passengers, operating in their respective territories.

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2. Any military guarantee issues related to the operation of Trains in the Demilitarized Zone Joint Administration Area shall be determined between the military authorities of both Parties.
 3. The South and the North shall mutually recognize any and all licenses held by the Railway Staff of the other Party and any and all certificates granted in respect of Trains of the other Party.
 4. The South and the North shall fully make available all facilities necessary for the normal operation of Trains in the Section and further shall jointly concentrate efforts to narrow the gap between their respective train-related regulations and rules, including the Train Safety Management Regulations. Any and all related issues shall be handled by the South-North Joint Railways Operation Committee.

Article 3 South-North Joint Railways Operation Committee

1. Any and all technical and practical matters related to trans-Korean train operations shall be determined by the South-North Joint Railway Operation Committee (the "Joint Committee"). The Joint Committee shall discuss the following matters:
 - ① Plans for transportation and train operation and the related procedures;
 - ② Freight charges, fares and compensation;
 - ③ Investigation of the cause of any Accident, its after-the-fact processing and responsibility for the Accident;
 - ④ Inspection, maintenance and repair of railway facilities; and

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- ⑤ Other matters related to Train operation that require the agreement of both Parties.
2. The Joint Committee shall consist of such members appointed by both Parties as necessary to discuss the agenda at each meeting of the Joint Committee.
 - ① The Joint Committee shall have five (5) to eleven (11) members from each Party, including one (1) representative from each Party.
 - ② Each Party shall inform the other Party in advance of the list of the members, including the representative, for each meeting.
 3. The Joint Committee shall be operated as follows:
 - ① The Joint Committee shall have one (1) ordinary meeting each year and may have extraordinary meetings as agreed between the Parties.
 - ② The Joint Committee meetings shall be held in principle alternately at the Border Station of each Party.
 - ③ Following a meeting of the Joint Committee and before its next meeting, a meeting of the masters of the Board Stations ("Stationmaster Meeting") shall be held, in principle, once a quarter and, if necessary, may be held from time to time as agreed by both Parties.
 - ④ A Stationmaster Meeting shall discuss details of agreements reached at a meeting of the Joint Committee and fare adjustments and other issues that may arise from time to time.
 4. In principle, any agreement reached at a meeting of the Joint Committee shall take effect on the date on which the

representatives sign and exchange the written agreement, However, if necessary, the effective date shall be separately set forth in the agreement.

Article 4 Procedure and Method of Train Operation

1. The South and the North shall operate Trains in the Section during the hours from 08:00 a.m. to 05:00 p.m. and inform the other Party of the daily train schedule and service by no later than 08:00 a.m., which may be adjusted by the Joint Committee.
2. The train crew, locomotive and caboose car²⁰⁾ shall be provided alternately by the Parties on a yearly basis, and the handover shall take place on the first day of each year, at 08:00 a.m. Matters related to the initial duty shall be separately determined by the Joint Committee prior to the opening ceremony of the trans-Korean train service.
3. All Trains shall be either regular or special, and other detailed matters such as the frequency of the service, etc. shall be determined at a meeting of the Joint Committee or at a Stationmaster Meeting.
4. The locomotive crew and the conductors of the Trains operating in the host territory shall at all times comply with the applicable regulations, including the Train Safety Management Regulations, and instructions issued in the visiting territory.

20) Korean original of this English translation is "차장차."

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5. Trains shall be hauled by a diesel locomotive at the speed of 60km/h or less within the Section.
 6. Trains shall be operated using an interlocking block system.
 7. Any Train arriving at one Border Station may be shunted²¹⁾ during the waiting period after receiving consent from the master of the home Border Station for the locomotive of the Train.
 8. Any instruction given by the master of one Border Station to the train crew of the other Party shall be delivered in writing on the date of such instruction, and any external costs and expenses incurred during the stay of a Train shall be borne by the Party having the control over the territory in which the Train is being operated.
 9. Each party shall be responsible for the inspection, normal operation and safety of any departing Trains from its Border Station up to the other Border Station and any arriving Trains from the handover at its Border Station.
 10. Each party shall return any passenger or freight cars to the departure point of the other Party within the shortest period of time after arrival, and the handover and the procedures thereof shall be determined by the Joint Committee.

Article 5 Procedures and Method of Transportation

1. The procedures and method of transportation and the use and

21) Korean original of this English translation is "입환작업."

transfer of passenger cars and freight cars between the South and the North shall be separately determined by the Joint Committee.

2. Each Party shall give the stationmaster of the Border Station of the other Party notice of a monthly transportation plan, which includes transportation requirements for the next month, by no later than the twentieth (20th) day of each month. Both Parties shall reach an agreement regarding such monthly transportation plan.
3. Each Party shall give the stationmaster of the other Party's Border Station each day notice of a daily schedule and service plan for the next day to reach an agreement thereon, details of which shall be determined at a Stationmaster Meeting.
4. In the event that there arises a need to make any changes to the daily train operation plan or the monthly transportation plan previously notified to the other Party, amendments or supplements to the plans may be made by agreement between the Parties.

Article 6 Accident and Liability

1. If there occurs a natural disaster, an Accident, or other abnormality that may interfere with train operations, either Party shall immediately inform the other Party of the same and adjust or alter the train operations.
2. If either Party desires to be present in the investigation process of the Accident, the other Party shall permit the presence.

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3. Each Party shall provide full cooperation in the investigation process and immediately give the other Party a notice of results when they are available.
 4. Any costs of restoration or compensation for damages incurred due to an Accident shall be borne by the Party responsible for the Accident. If the Accident was caused by both Parties or remains unaccounted for, both Parties shall jointly be responsible for such costs or compensation for damages and jointly carry out the restoration work. Neither Party shall be held liable for any Accident or loss caused by a natural disaster.
 5. Either Party may request the other Party to provide cooperation in dealing with an Accident, and the other Party may then join the restoration efforts.
 6. Either Party may charge the other Party any costs incurred in assisting the other Party in dealing with the Accident.

Article 7 Countermeasures against Breakdown

1. If a Train breaks down during operation, the following steps shall be taken:
 - ① If such a breakdown interferes with the operation, the Party in whose territory the Train is located shall be in principle responsible for the repair.
 - ② Each Party shall, upon request from the other Party, provide necessary assistance in repair works.
 - ③ Each Party may charge the other Party the costs incurred in providing technology, fuel or parts to the other Party.

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2. If a Train is prevented from operating due to a breakdown, the locomotive engineer of the Train shall immediately inform the Border Station in the territory of operation.

Article 8 Railway Staff's Stay in Border Stations

1. Each Party may dispatch its Railway Staff to the other Party's Border Station to discuss any matters that may arise out of the handover and railway transportation.
2. Each Party shall take such procedures and guarantee to provide such convenience as necessary to allow the dispatched Railway Staff to access the other Party's territory by Train or other means of transportation on railway or roads.
3. The staff listed in Staff Titles List (Appendix 1) shall carry a temporary card for one-time access (Appendix 2 1) or a regular card for multiple accesses (Appendix 2 2) to the host Border Station.
4. Any visiting Railway Staff shall comply with the laws and regulations in force in the visiting territory and stay within the designated area within the host Border Station.
5. The train crew shall not depart from the Train except when necessary for a safe operation of the Train between the Border Stations.
6. Each Party shall provide the visiting Railway Staff with offices, accommodations, heating, lighting, telephone and other conveniences.

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7. Each Party shall take emergency relief measures and, if necessary, provide transportation if a member of the visiting Railway Staff suffers an unexpected illness or injury during its stay in the other Party's territory.

Article 9 Restrictions on Number of Passengers and Freight Load

1. Unless otherwise agreed between the Parties, a Train in operation may refuse the boarding of any of the following persons:
- ① Any infectious patient, psychiatric patient, drug addict or any other persons deemed likely to be harmful to the public health;
 - ② Any person carrying or possessing firearms, lethal weapons, gunpowder, etc.;
 - ③ Any person deemed likely to disturb or interfere with the railway operation or social and economic order;
 - ④ Any person deemed likely to impair the common interest or safety of the Parties.
2. Unless otherwise agreed between the Parties, a Train in operation shall not carry any of the following articles of freight:
- ① Firearms, lethal weapons, gunpowder, or other goods of any type whatsoever that may be harmful to the public safety;
 - ② Drugs, medicines, hazardous products, radioactive or poisonous products that may be dangerous to the public health; or
 - ③ Other goods likely to directly interfere with the operation of Trains.

Article 10 Fare

The South and the North shall calculate and collect fares and charges in accordance with its own fare system, in either US dollars or Euros. Further, any relevant costs incurred in relation to the operation of Trains shall be settled by the Parties on an after-the-fact basis and any further detailed matters shall be determined by the Joint Committee.

Article 11 Telecommunication Facilities and Use thereof

1. To facilitate the normal operation of Trains and mutual cooperation, each Party shall have the following telecommunication facilities at the control room in its Border Station:
 - ① Direct telephone service and wireless communication facilities enabling direct communication with the locomotive engineer in operation;
 - ② Facsimile equipment; and
 - ③ Other equipment as agreed between the Parties.
2. The South and the North shall use the same frequency for their wireless communication facilities and conduct regular test communications based on FM simplex operation within the range of 150MHz to170MHz.
3. Neither Party may use the telecommunication facilities installed at its Border Station for any purpose other than that related to the operation of the Trains.

Article 12 Cross Notification

1. The stationmaster of each Border Station shall inform his/her counterpart of departure and arrival of Trains.
2. The stationmaster of each Border Station shall, without delay, inform his/her counterpart of the occurrence of any of the following cases:
 - ① Where any problems have occurred or there are repair works under way on the railway track of the Section;
 - ② Where circumstances have arisen in which arriving passengers or freight cannot be processed;
 - ③ Where there have been changes due to the cancellation of freight transportation contract;
 - ④ Where a disruption to Train service has occurred that is attributable to weather conditions; or
 - ⑤ Where there are other threats to the safe operation of Trains.

Article 13 Appendix

Detailed matters necessary for the implementation of this Agreement shall be determined by the Joint Committee and shall be set forth in an Appendix hereto.

Article 14 Scope of Application

1. This Agreement shall apply only to Trains in operation between the Border Stations; provided, however, that the Section may be extended upon mutual agreement.
2. Any matters pertaining to the operation of Trains mobilized in

relation to inter-Korean talks or other exchanges which are to be conducted under agreement between the South and North Korean governments may be separately determined by mutual agreement between both Parties.

Article 15 Amendment and Supplementation

Any terms and conditions of this Agreement may, if necessary, be amended or supplemented upon mutual agreement between the Parties. Such amendment or supplement shall take effect after the procedures set forth in Article 16 below are taken.

Article 16 Effectuation and Termination

1. This Agreement shall take effect on the date when both Parties, having respectively followed the formalities for effectiveness hereof, sign and exchange this Agreement.
2. This Agreement shall remain in full force and effect unless either Party gives the other Party written notice of its intent to terminate this Agreement. Any notice of termination shall take effect six (6) months after the delivery of the notice of termination.

April 13, 2004

The Inter-Korean Economic
Cooperation Promotion Committee
Chairperson on the South's side
Kwangrim Kim
Vice Minister of Finance and Economy
Republic of Korea

The Inter-Korean Economic
Cooperation Promotion Committee
Chairperson on the North's side
Younggeon Choi
Vice Minister of Construction and
Building Materials Industries
Democratic People's Republic of
Korea

Appendix 1

Staff Titles with Access across the Military Demarcation Line

No.	Titles
1	Border Stationmaster, Vice Stationmaster, Station Service Manager, Train Operation Manager, Train Operators, Station Crew
2	Border Station Liaison Office Director, Vice Liaison Office Director, Freight Service Staff, Passenger/Freight Service Staff, Freight Staff, Inspection Staff
3	Car Office Director, Technical Manager, Car Branch Office Manager, Car Management Manager, Senior Car Manager, Car Manager, Examiner, Locomotive Crew Office Director, Train Crew Director office, Operation Manager
4	Locomotive Engineer, Deputy Locomotive Engineer, Training Manager, Passenger Train Crew Supervisor, Conductor, Conductor Team Manager, Baggage Handling Agent
5	Facility Management Office Director, Branch Office Manager, Facility Staff
6	Electrical Office Director, Technical Manager, Team Manager, Technicians, Branch Office Manager, Senior Electrical Technician, Vice Electrical Technician, Electrical Staff
7	Car Drivers
8	Inspection Staff

Appendix 2.1 Temporary Card

8cm

Temporary Card	
Photo (2×2.5)	Name: Gender: Date of birth:
A	
Issued by (seal)	

Front

8cm

Issue No.
Permitted Areas: A: All B: Platforms C: Bonded Area D: Waiting Room
Valid from [Date] to [Date]

Back

Appendix 2.2 Regular Card

8cm

Regular Card	
Photo (2×2.5)	Name: Gender: Date of birth:
A	
Issued by (seal)	

Front

8cm

Issue No.
Permitted Areas: A: All B: Platforms C: Bonded Area D: Waiting Room
Valid from [Date] to [Date]

Back

Appendix

In both Parties' Agreement, the following terms shall have the same corresponding meaning.²²⁾

22) Translator's Note: This appendix lists Korean terms differently used in the South's and the North's agreement each pair of which nonetheless has the same meaning. Their translation was intentionally omitted

Agreement on Military Guarantees for Passage, Communication and Customs Clearance in Joint Administration Area in East and West Seas

The South and the North (each a "Party" and collectively the "Parties") hereby agree to military guarantee for passage, communication and customs clearance within the Joint Administration Area in the East and West Seas as follows, in order to vitalize exchanges and cooperation in the Kaesong Industrial Zone (the "KIZ") and the Kungangsan Tourist Zone (the "KTZ") in accordance with the agreement reached at the ministerial talks between the Parties for the implementation of the Declaration on the Advancement of Inter-Korean Relations, Peace and Prosperity:

1. Military Guarantee for Passage

- ① Both Parties agreed that each Party shall open to the other Party the 10 meter section in the East Sea and the 20 meter section in the West Sea of the Military Demarcation Line from the points where the roads meet within the Joint Administration Area and shall further guarantee a passage there at any time between 07:00 am to 22:00 pm every day, under the principle that the passage hours shall be extended in the future. It is further agreed that passage on each major holiday or anniversary of either Party or on Sunday shall be conveniently determined upon agreement between the Parties on a case-by-case basis.
- ② It is agreed that one Party desiring to enter through the roads

to the other Party's territory in the Joint Administration Area shall give the other Party for approval a twenty four (24) hour advance notice of the list of passing personnel and vehicles and the types and quantity of materials, and the date of passage through the Military Demarcation Line.

It is agreed that if the scheduled passage cannot be made as expected, the Party shall so inform the other Party for approval for subsequent passage at least three (3) hours prior to the close of the passage hours on the approved date.

- ③ It is agreed that a detailed code of conduct and display rules related to the passage of personnel and vehicles in the East and West Seas shall be discussed and determined at working-level military talks in the East and West Seas.
- ④ It is agreed that, in the West Sea, the road passage shall be guaranteed at certain intervals so as to ensure the convenient passage and to maintain passage order protection and that, in the East Sea, the current passage system shall remain in force until the inspection area and the parking lots are built.
It is agreed that the detailed measures for the convenience of passage shall be further discussed at the relevant working-level talks so as to accommodate the increasing number of passing personnel and vehicles.
- ⑤ It is agreed that each Party shall comply with the applicable control regulations established by the other Party in relation to the carriage of goods under control list or prohibited goods, so as not to delay any road passage.
- ⑥ It is agreed that each Party shall guarantee an urgent passage

to any personnel or vehicles in an emergency situation including personal injury.

- ⑦ It is agreed that the railway passage of freight shall be determined in accordance with the Agreement on Military Guarantees for Railway Freight Transportation between Munsan and Bongdong.
- ⑧ It is agreed that the supply of such materials and equipment necessary for longer open hours and night-time passage shall be discussed at the relevant working-level talks.

2. Military Guarantees for Communications

- ① It is agreed that, in order to guarantee expedited communications in the KIZ and the KTZ, Internet service and wired and wireless telephone services shall be allowed starting from 2008.
It is agreed that the proposed construction of a communication center, and the operation thereof, the organization of a communication relay station, and other practical matters related thereto shall be discussed at the relevant working-level talks.
- ② It is agreed that each Party suffering from telecommunication interruption due to natural disasters shall inform the other Party of such interruption and promptly take actions for the restoration of telecommunication service and that both Parties shall continue to discuss the establishment of a dual telecommunication network between the Parties.
- ③ It is agreed that the current military telecommunication lines installed within the Joint Administration Area sites and the military liaison offices shall be used as they are for the purpose

of providing military guarantees for exchanges and cooperation between the Parties and that the telecommunication service hours shall be extended to meet longer passage hours.

It is agreed that the supply of materials and equipment necessary to modernize the telecommunication offices shall be discussed at the relevant working-level communications talks.

3. Military Guarantees for Customs Clearance

① It is agreed that military guarantees shall be made available so as to simplify the procedures and reduce the time for customs clearance at the KIZ and the KTZ.

② It is agreed that, to reduce the time for customs clearance, each Party shall strictly comply with the customs clearance procedures at the KIZ and KTZ.

It is also agreed that appropriate actions shall be taken against any violation by a person or vehicle of such customs clearance procedures.

③ It is agreed that the customs clearance process shall be simplified through selective inspection and that the processing time shall be reduced by preparing a new or expanded customs check area.

It is agreed that the proposed supply of necessary checking facilities, materials and equipment shall be discussed and resolved at working-level meetings between the relevant experts.

4. Amendment, Supplementation and Effectuation

① This Agreement shall take effect on the date when the Minister

of Defense representing the South and the Minister of People's Armed Forces representing the North, having respectively followed the formalities for effectiveness hereof, sign and exchange this Agreement.

- ② This Agreement shall automatically be terminated if and when a new agreement on military guarantees for the railway and road passage, communications, and customs clearance in the East and West Seas is adopted and becomes effective.
- ③ This Agreement may, if necessary, be amended or supplemented upon mutual agreement.
- ④ This Agreement is executed in two (2) counterparts, each of which shall have the equal validity.

December 13, 2007

Jangsoo Kim
Minister of Defense
Republic of Korea

Ilchul Kim
Minister of People's Armed Forces for
the National Defense Commission
Democratic People's Republic of
Korea

This English version of the Act and Regulations for the Kaesong Industrial Zone is translated by Bae, Kim & Lee, LLC.

Ministry Of Unification

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