



DPRK REVISES LAW ON RASON ZONE AND ENACTS LAW ON COAL TO ATTRACT FOREIGN INVESTMENT

Following North Korea's decision to raise the status of the Rajin-Sonbong region to the 'Rason Special City', it has revised the 'Law on the Rajin-Sonbong Trade Zone', boosting the likelihood that the region will attract the foreign investment necessary to develop the free trade zone, as the revised law further protects investor activities in Rason.

The Rajin-Sonbong region was designated a 'Free Economic and Trade Zone' in 1991, but had very little economic impact. Over the years, North Korean authorities have enacted a few measures to try to keep the project alive, but there has been no significant turnaround. With the revision of the law on Rason, North Korean authorities are again focusing their attention on the region, with the goal of 'opening the door to a strong and prosperous nation' by 2012. It is also possible that the regime is eyeing the development of the region as a tool to solidify the transfer of power to yet a third Kim.

In December 2009, after designating the special economic and trade zone, Kim Jong Il traveled to 'Rason City' for the first time in 18 years. Jang Song Thaek, director of the administrative bureau of the (North) Korean Workers' Party, has also visited the area, leading observers to believe that even working-level preparations are being made following the policy decision to highlight the area.

The law on Rason, revised on January 27, is now made up of 5 chapters and 45 articles. Six of those articles specifically concern promotion of the investment area and trade with overseas Koreans.



The most eye-catching article is no. 8, which addresses economic and trade activities by overseas Koreans. This type of activity was already protected by the existing law, but the revision reiterates that Koreans living outside of the North are allowed to carry out economic activities and trade in an attempt to snare investments from North Koreans living in China and Japan, as well as other diasporas.

In addition, Article 21 addresses the economic dealings of enterprises, groups and organizations outside of the zone, and stipulates that these groups operating within the Rason Special City would be able to engage in business activities with North Korean businesses in other regions. This essentially legalizes the sale of goods produced in the zone throughout the country.

Article 3, addressing investment opportunities, stipulates that investors are allowed to engage in business regarding manufacturing, farming, construction, transportation, communications, science and technology, tourism, distribution, and finance.

By revising the existing law, North Korean authorities have strengthened incentives for investors.

The latest revision also set the basic income tax of enterprises at 14 percent, while stating that enterprises specifically designated by the government would be taxed at a rate of 10 percent.

Furthermore, Article 2 of the revision emphasizes the tourism and investment roles of the special zone, referring to the zone as one for ‘investment, a transport hub, finance, tourism, and public service,’ adding ‘investment’ and ‘tourism’ to those activities stipulated in the original law. The Rason Zone Law has been revised five times since its passing in 1993, undergoing change in 1999, 2002, 2005, 2007 and now 2010.



Authorities also revised the law on coal, which now legally regulates the exploration, distribution and use of coal, by the addition of Chapter 6 Article 76 of the 'Coal Law'. Article 1 lays out the basis of the North's law on coal, while Article 2 covers exploration, Article 3, 'mine development,' Article 4, 'coal production,' Article 5, 'coal distribution and use,' and Article 6, 'management structure regarding the coal industry.' The new law advocates "expansion of cooperation and exchange with other countries and international organizations on the exploration and mining development, as well as production and use."