

Amendments to the DPRK's Laws Concerning the Economy (2)

(Summary)

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In July 2002, drastic economic measures to improve the economic management of the DPRK came into effect. Under these measures, the prices of all commodities were revised and living allowances were raised. It seems that economic policy in the DPRK has become more active than in the late 1990s as a result both of these measures and a series of economic reform measures such as restructuring in the manufacturing sector, changes in production and distribution methods in the agricultural sector, and new methods of enterprise management.

In response to these changes, the DPRK has adopted a comparatively aggressive posture towards legislation. The characteristics of these revisions are as follows: (1) legislation is being implemented with regard to the domestic economy and other important policies, as well as in the field of foreign investment; (2) signs of attempts to conform to international standards can be seen; and (3) the revival of some minor regulations in the laws relating to foreign investment that disappeared from the collection of laws as a consequence of amendments in the late 1990s.

This article will deal with the Insurance Law of the DPRK, which falls into the aforementioned category (1), and the Law of the DPRK on Foreign-Invested Businesses and Taxation of Foreign Individuals and the Regulations Concerning the Implementation of the Law of the DPRK on Foreign-Invested Businesses and Taxation of Foreign Individuals, which fall into categories (2) and (3).

1. The Insurance Law of the DPRK

The Insurance Law of the DPRK was enacted on April 6, 1995 and was revised on February 4, 1999. The latest revision was implemented on May 16, 2002. The 1999 amendment merely changed some expressions in relation to organizational changes. The 2002 revision was the first substantial alteration since 1995.

The 2002 revision includes such major changes as: (1) the transfer of control over the insurance business from a state monopoly to insurance companies; (2) the stipulation of supplementary provisions on insurance contracts in response to the creation of insurance companies; and (3) a

change in the role of the government from monopolizing the insurance business to regulating it.

Careful attention should be paid to how many independent insurance companies are established and how they work, the financial strength of newly created insurance companies, and the degree of convergence with international practice.

2. The Law of the DPRK on Foreign-Invested Businesses and Taxation of Foreign Individuals and the Regulations Concerning the Implementation of the Law of the DPRK on Foreign-Invested Businesses and Taxation of Foreign Individuals

The Law of the DPRK on Foreign-Invested Businesses and Taxation of Foreign Individuals was enacted in January 1993 and revised in February 1992 and May 2001. The most recent revisions were made to reflect a change in the currency exchange rate in July 2002.

The Regulations Concerning the Implementation of the Law of the DPRK on Foreign-Invested Businesses and Taxation of Foreign Individuals were enacted on February 21, 1994. They disappeared from the series of investment laws and regulations for a time, but were revived on June 14, 2002.

There have been various developments that seem to reflect changes in the way that foreign-invested enterprises behave. One major change is that, under the new regulations, taxes calculated in Korean Won (KPW) should be paid in hard currency. Another is that there are more realistic regulations to prevent violators from cheating. In addition, a new provision that promotes fairness in tax practice has been implemented.

The laws and regulations have been amended over a very short period; between 1999 and 2001/2. As mentioned above, there have been some drastic changes in methods of controlling the economy in the DPRK. The administrative order that was formerly the mainstream in the days of the state monopoly has gradually been replaced with a regulatory bylaw that allows multiple players to compete fairly.