

# Key Issues Arising from Actively Attracting Foreign Investments in Rason Economic and Trade Zone

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The great leader Comrade **Kim Il Sung** said as follows.

**“The Rajin - Sonbong free economic trade zone, situated on the borders of Korea, China and Russia, has attracted considerable interest from foreign investors, owing to its enormous economic potential and favourable natural and geographical conditions.”**

(“**KIM IL SUNG WORKS**” Vol. 44 P. 318)

Rason area has favorable natural, geographical and economic conditions as an economic and trade zone. Many investors of the world are considering Rason area, which is called a “Golden Triangle” with favorable natural, geographical and economic conditions, as the most efficient and expeditious channel for economic interchanges and central area for ideal economic co-operations on a regional level.

The Democratic People’s Republic of Korea declared some parts of this area as an economic and trade zone so that it can make a significant contribution to the development of the northeast Asia as well as the global economy.

In Rason Economic and Trade Zone, which is a form of special economic zones, the most part of its development relies on foreign investments. The DPR Korea government provides this zone with the same investment environment and conditions as other special economic zones existing in some countries of the world to ensure that foreign investors can be free to engage in sufficient economic activities.

Some important issues should be considered to successfully attract foreign investments in Rason area:

First of all, continuous efforts have to be made to improve the foreign investment environment.

The term, investment environment is generally understood as the condition for high and stable profitability, thereby providing a stability guarantee not only for return on investment but assets invested and profits earned. It’s a wrong thought that foreign investments in Rason area would be spontaneously made once the government announces it as a special economic zone or it has favorable natural and geographical conditions.

The investment environment has to be well structured to attract foreign investments.

To build a well structured environment in Rason, the particular attention should be put on giving all sorts of privileges and preferential treatments to foreign investors who plan to set up their own businesses. The DPRK government has been vigorously pushing ahead the policy of focusing the government investment on readjusting infrastructure including electricity, water supply, roads and railway networks in this zone. At the same time, the policy to give foreign investors investing in Rason all sorts of privileges and preferential treatments has been enforced keeping pace with the work of mapping out and announcing laws and regulations relevant to running the economic zone.

The privileges and preferential treatments for foreign investors coming in Rason have their own powerful legal guarantee based on “the Law of the Democratic People’s Republic of Korea on Rason

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Economic and Trade Zone” which was adopted on December 3, Juche 100 (2011).

Such measures taken by our government make it possible for foreign investors operating in this area to pay 14% of enterprise income tax rate which is 11% lower than those set up in other areas of our country outside the Rason zone. And 10% of more preferential and favorable enterprise income tax rate is allowed by the law to apply to the investors investing in up-to-date science and technology, infrastructure and R&D sectors which are all of government concern.

In addition to it, there are other preferential conditions for investors; exemption from enterprise income tax for the first 3 years since profits are earned and then, 50% tax exemption for next 2 years only if investors are going to engage in productive activities in Rason for more than 10 years; investors who plan to operate in service sector for more 10 years can enjoy enterprise income tax exemption for 1 year from the year they make profit, and another 2 years of 50% exemption from taxation.

Apart from the preferential treatments in taxation, the investors acting within the zone are allowed to have more favorable privileges compared to those running businesses outside the zone in terms of no visa requirement, simplification of exit/entry formalities and business registration and government permission.

Such privileges and preferential treatments well combined with favorable natural and geographical conditions as well as sufficient economic potential available in this zone are raising great desire among foreign investors.

During more than 2 decades since Rason was declared as an economic and trade zone on December 28, Juche 80(1991), there has been an increasing tendency of foreign investment in the zone.

The total amount of foreign investment in Rason by the year Juche 89 (2010) reaches to US\$ 617 million, which is 1.8 times bigger than the total sum based on contractual terms by the year Juche 85 (1996).

Large share of foreign investment depends on the businesses from 9 countries up to now. They include China, Russia, Thailand, Singapore, the Hong Kong SAR, Taiwan and Australia. 45% of foreign investment has been invested in the form of contractual joint venture, 32% in the form of wholly foreign owned enterprise and 22.4% equity joint venture. As for sectors, the service sector uses 68.5% of investment, production sector 27.2% and infrastructure 4.3%.

However, it has to be recognized that there happened many issues in developing the zone, considering in the aspect of the time period for zone development or the plan estimated at the outset.

The Rason relevant institutions should strive to make this zone an chief international cargo transit center, export processing base and world famous tourist place based on modern technologies, which can play an important part to boost the economic development in the northeast Asia. It can be achieved only when continuous efforts are made to improve investment environment while pushing ahead the policy for attracting foreign investments smoothly and purposefully as initially scheduled.

The next point to be mentioned in dealing with foreign investments is to remove every potential element to have a negative effect on the global peace and security, and furthermore, implementing economic and technical partnerships and interchanges.

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The most fundamental reason why the foreign investment has not been animated in this zone results from the ill natured anti-DPRK isolation and suffocation maneuvers and nuclear war provocation of the US.

The US, since the mid 1990's, has been unprecedentedly strengthening the military threat, economic sanction and blockade against our country under the pretext of "nuclear issue". The US has been staging the nuclear war exercises against the DPRK around the Korean peninsula almost every day, while constraining co-operations and partnerships between our country and other countries in all fields including foreign trade, investments, finance, science and technology and so on, by invoking all forms of financial and economic sanctions.

It resulted in the postponement of some works that were planned to do at the beginning in order to provide favorable investment environment such as readjustment of infrastructure. With the constant tension fraught with the threat of another war by the US in the Korean peninsula, a number of foreign investors who hoped to invest in Rason had to be shilly-shally in making investment decisions.

The DPRK government, even under the situation where the anti-DPRK isolation and stifling maneuvers and nuclear war provocation of the US have been continued, has made every possible effort to take measures, so that more favorable conditions and environment have been provided to increase foreign investment in recent days.

The political stability has been firmly secured in our country as a more stable one minded unity with the respected Comrade **Kim Jong Un** as its axis has formed as never before.

To improve the foreign investment environment in Rason Economic and Trade Zone, all of the laws and regulations relevant to foreign investment and development and operation of the zone which have been put in force from the end of the year, Juche 100 (2011), were synthetically systematized. On the basis of it, more innovative laws and regulations were enacted and promulgated that are able to better suit the requirements of developing practice.

These positive changes can serve as a hint to show that the foreign investment in this zone will become further animated.

All of us should make a contribution to the struggle for building a thriving socialist country by playing an active role in attracting foreign investment in Rason Economic and Trade Zone and carrying out broader, stronger economic and technical co-operations with other nations.