

SEABED PETROLEUM AND THE ECONOMIC DEVELOPMENT OF THE D.P.R.K.

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Our people are now firmly rallied around the great leader, Comrade Kim Jong Il, to make strenuous efforts to activate and develop the national economy. The most essential prerequisite for developing the economy is petroleum development, and the exploration and development of petroleum in our West Sea seabed is of great importance.

In addition to the petroleum sector, for making the economy active, we are concentrating on the overall renovation of technology and the development of science and technology. We are giving priority to the electric, coal and metal industries while attaching importance to the development of light industry and agriculture. As a result, the overall economy, which has been in difficulty since the late 1990s because of continuing natural disasters, is being gradually activated.

In accordance with the changed circumstances and conditions and the concrete reality of our country, we have adjusted the structure of the economy and continue to improve and perfect the methods of economic management on the principle of gaining maximum benefits.

Two years ago, new prices were applied to all commodities and we are now applying new criteria for the salaries of the working people based on the principle of

giving favor to the producers. At the same time, we have taken a measure to replace the former farmers' market with the comprehensive market for all consumers.

As an example of the high priority given to petroleum, we organized a separate state agency for petroleum development and mobilized appropriate personnel to begin the oil exploration.

Because of lack of experience in oil exploration and development, the Government of the Republic has attached importance to cooperation with other countries from the beginning. Cooperation with other countries began in the early 1980s.

A number of firms of many countries expressed interest in the oil development of our country and practical cooperation was realized with several among them. We conducted 2,000 meter x 2,000 meter geophysical surveys in the East Sea and West Sea jointly with the companies of the Soviet Union, Czechoslovakia and Norway.

After that, Swedish and Australian companies also did surveys. The survey data and seismic tapes were analyzed for us by oil exploration and development companies and experts from Austria, Singapore, Netherlands, Japan, France and Denmark reviewed many survey data and analyzed seismic geophysical survey tapes. This review and analysis gave us the conviction that there is the possibility of seabed oil deposits.

Initially, we did only regional surveys of 2,000 meters x 2,000 meters but failed to do detailed surveys of 1,000 meters x 1,000 meters or 500 meters x 500 meters. So we were not able to define the concrete oil reserves.

On the basis of the lessons learned from our early experience, we concluded long term contracts for detailed exploration and development with the Australian Meridian Company in July, 1987, and with the Swedish Taurus Company in February, 1993. We

authorized them to conduct exploration and development in specific areas that they wanted at their disposal.

For example, Taurus was able to conduct seismic surveys and some drilling in an area that covered 9,278 square kilometers of a concession block known as C District located below latitude 39°.

This exploration and the analysis of its seismic data showed that the seabed basin of sediments had big oil deposits and the potential for the commercial development of petroleum. However, cooperation with other countries could not be carried to its completion and as a result we have not been successful in the commercial development of oil.

There were several reasons for the failure of cooperation with other countries. First of all, the political element was there. Cooperation was affected by the hostile policy and hindering acts of the non-friendly countries, including the United States.

These countries put a brake into cooperation between our country and other countries for oil development. In particular, the United States aggravated the situation of the Korean peninsula by fabricating the nuclear issue, thus making the investors of other countries nervous in investing into our country.

Certain companies that were related with the US said that they could not complete the cooperation with us because the US Government did not give them the necessary licenses. The hostile forces also hindered the international monetary institutions and private lending companies from furnishing funds to those companies that were cooperating with us.

Another reason why the cooperation was not completed was that the capability of the entities themselves was not sufficient. Their financial, technical and equipment standards were not high enough.

For example, the Swedish Taurus was capable until the exploration stage but could not but call off the cooperation because it could not find appropriate partners.

The maneuvers of the US and other hostile forces that are not happy with the petroleum development in our country are still being continued. Nevertheless, we will attach importance to the petroleum development and will actively push ahead with all the work that we can internally.

In December, 2003, the General Bureau of Oil Industry in the Ministry of Natural Resources was elevated to the status of a separate Ministry of Petroleum.

At the same time, we will actively encourage cooperation with any other countries that have a sincere interest in cooperation with us. We are willing to provide them with all the conditions and convenience in their activities.

The oil development in our country will be beneficial not only to our country but also to our neighbors and those countries that offer cooperation. They could purchase, at a good price, crude oil and petroleum products initially processed by the abundant labor of our country.

We are convinced that petroleum development in our country will be practicable through friendly cooperation with the countries and peoples that wish tension reduction and stability in the Korean peninsula.