OIL AS A STRATEGIC RESOURCE:
IMPACT OF THE 1973 OIL CRISIS ON THE KOREAN PENINSULA

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By

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The research and writing of this thesis is dedicated to all.

Many thanks,
Ruoyao Wang
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ABSTRACT

The 1973 oil crisis caused more significant economic fluctuations in the economic performance of the Republic of Korea (South Korea) compared to that of the Democratic People’s Republic of Korea (North Korea). Many scholars believe that it was a result of different levels of economic integration into the international trade system. South Korea developed an export-oriented economy that imported rare material and exported finished goods to the rest of the world. While North Korea’s major trading partners are the communist countries, which were far less integrated into world trade. Nevertheless, it was much more affected by the differences in physical geography and the industrial layout of these two economies in the fact that North Korea had more abundant coal reserves and hydropower potential and focused more on heavy industries.
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Introduction

The 1970s was an era of dramatic change in the world order. The emerging Cold War competition deepened between the United States and the Soviet Union. The United States became more involved in the Vietnam War and suffered from the long lasting combat and public backlash. The Soviet Union was in the process of supporting revolutions across the Third World to promote communism. The post-World War II economic order was altered with the collapse of the Bretton Woods System and the increasing popularity of neoliberal economic policies.

The 1970s was also a crucial time for the Korean Peninsula. South Korea’s economy boomed during this period and surpassed that of North Korea, establishing its position as one of leading East Asian economies. One of the most significant events of this time period that influenced both South Korea and North Korea was the 1973 oil crisis. Without a doubt, South Korea was hit much harder by the Oil Crisis than North Korea based on several important economic indicators including Gross Domestic Product (GDP), Gross National Income (GNI) and net exports. Although South Korea was able to recover in less than a year and resume its industrialization process, the 1973 oil crisis demonstrated the vulnerability of South Korea’s economy which was export-oriented and heavily reliant on natural resource imports. In this essay I use both quantitative and qualitative measures to evaluate the influence of the 1973 oil crisis on the economies of the Republic of Korea (South Korea) and the Democratic People’s Republic of Korea (North Korea) and to analyze what caused the differential effects in the two economies, which leads to the conclusion on the physical geography and the industrial layout of these two
The majority of the existing literature focuses on the two countries’ economic connections with the rest of the world. As South Korea had a close economic relationship with the United States, it experienced much more fluctuation as a result of the oil embargo imposed on the Western countries.

Kairy A Tourk analyzes the economic influence of the 1973 oil crisis and the 1979 oil crisis on South Korea and Taiwan.\(^1\) The author examines and compares the export-orientated economic policies of these two economies and various economic indicators including sectoral growth ratio to GDP and the import and exports to GDP ratio. The conclusion is that as an export-oriented economy, South Korea’s total export expanded briskly between 1973 and 1978 at an annual rate of 31.2%. The continued increase in exports cancelled out the negative influence of the increasing oil prices, allowing South Korea to weather the first oil shock with rather limited influence compared to the United States, Japan and the European countries.

Chull Yoo analyzed South Korea’s economic development in the context of the global

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economy cycle.\textsuperscript{2} The author refers to the time period from 1950 to 1973 as the “Great Boom” and “Golden Age” of postwar capitalism as the capitalist countries experienced a change in essential social and economical indicators including increased production, investment, living standards and low unemployment rates. The Advanced Capitalist Countries (ACC), including United States, Western European countries and Japan were the main beneficiaries of the economic boom. The 1973 oil crisis hit the ACCs hard. At the same time, the oil crisis provided the developing countries the opportunity to benefit from the deindustrialization and industrial transfer of the ACCs. From the perspective of South Korea, the author states that South Korea’s trade expansion during the long economic boom from 1950 to 1973 was the result of world trade expansion. South Korea’s trading indicators changed according to change in the world trading system. The expansion continued until 1974, then fell slowly after the oil crisis. With the world economy entering a slow down, South Korea’s rapid growth suffered a downturn.

**Background of the Oil Crisis**

Oil is a strategic resource for all industrial countries. It is, and has long been the bloodstream of the world’s economy. With the rapid industrialization of many countries around the world after World War II, the demand for oil and petroleum products increased dramatically. With the rise in demand, the importance of oil as a strategic resource and political tool was also elevated in the Middle East. Before the 1970s, the majority of world oil production was

\textsuperscript{2} Yoo, Chull. 1999. The Long Economic Cycle and the Industrial Upgrading of South Korea. *Graduate School of University of Southern California*, Bell & Howell Information and Learning Company
controlled by the Western monopolistic companies, known as the “Seven Sisters”: Gulf Oil, Anglo-Iranian Oil Company, Royal Dutch Shell, Taxaco, Standard Oil Company of New Jersey, Standard Oil Company of New York and Standard Oil Company of California. In the first half of the 20th century, oil fields in the Middle East were discovered one after another. In 1929, Saudi Arabia had a proven oil reserve of 160 billion barrels, which was 29% of the world’s total oil reserve. When the post World War II economic boom started, oil production in the Middle East quickly surpassed that of North America.

Another dominant change in the oil industry before the 1973 oil crisis was the increase in pricing power of the oil producing countries. The limited financial resources of the Middle Eastern countries meant that they had to rely on the Western oil companies to extract the oil. The contracts between the Western oil companies and the host countries’ governments put the oil companies in an advantageous position. The monopolistic international oil companies exploited the natural resources, retaining maximum profit and benefiting only a minority of people in the host countries. The oil companies were able to collaborate and keep tight control over the production quantity and price. The oil price was kept low, benefiting the economic growth in the Western countries. The postwar wave of independence of former colonies inspired the Middle Eastern countries to fight for their economic sovereignty. As a key part of the national economic interest, the Middle Eastern countries began demanding more control over the oil fields. The

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wave of nationalizing oil companies in the Middle East allowed governments to impose more effective control and regulations over the domestic oil industry. In 1951, the oil industries in Iran were nationalized, followed by Iraq in 1961. Even in the countries that had not nationalized the oil industries, the governments were able to negotiate better terms with the oil companies. In Saudi Arabia, the joint company Saudi Aramco was founded. The Saudi government gradually increased control over the company from negotiating a 50/50 profit split in the 1950s to full nationalization in 1980.

Furthermore, the unity of the Arab petroleum exporting countries provided them the chance to use oil as a weapon for political purposes. The Organization of Arab Petroleum Exporting Countries (OAPEC) was founded in 1968 by Kuwait, Libya and Saudi Arabia. This inter-governmental organization aimed to unify the Arab petroleum exporting countries and promote cooperation in economic activities among the oil industries. The mission statement of the OAPEC also includes the aim “to ensure the flow of petroleum to its markets on equitable and reasonable terms”, which played a vital rule in the 1973 oil crisis. The Founding of OAPEC provided the framework for the Arab petroleum exporting countries to work together to settle the disputes and act as an entity. With the nationalization of oil industries and the founding of OAPEC, the Arab countries managed to control the domestic oil industries more effectively and gained more power over the production and pricing of oil.

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In October 1973, the Yom Kippur War broke out between Israel and the Arab states led by Egypt and Syria. Shortly after the war started, the United States announced a 2.2 billion dollar military aid package to Israel, causing huge dissatisfaction among the Arab states involved in the war. Following the Yom Kippur War from October 6 to October 26, 1973, the Arab states acted individually to impose oil embargoes on the Western countries. There were three main categories of countries in the embargo. The countries in the first category were the ones that supported Israel’s war effort directly, including the United States and the Netherlands. A complete embargo was imposed on them. The second category included the countries that stated their ground as neutral in the war. Since the United Kingdom and France did not support Israel, they received an exemption from the embargo. The third category includes Japan and other European countries such as Belgium, Luxemburg, Spain and Italy. The oil exports to these countries were decreased by 5%. On November 4, 1973, the members of the Organization of Arab Petroleum Exporting Countries held a conference on the evolving issue of the Yom Kippur War. A consensus was reached among these members to decrease oil production by 25%. As a result of the oil embargo, world oil prices increased dramatically. In six months, the crude oil price experienced a 300% increase from around $3 per barrel in October 1973 to almost $12 per barrel in March 1974.\(^5\)

The sudden increase in oil prices sent shock waves around the world and put a number of

economies into a recession. As an industrialized country that demanded a significant quantity of oil imports, the United States suffered an economic recession from 1974 to 1975, following the 1973 oil crisis. According to the World Bank, the GDP growth rate in the United States was 5.64% in 1973. The growth rate dropped to -0.52% in 1974 and -0.19% in 1975. The increase in oil prices had a significant negative influence on the US economy and pushed some of the key national industries into a state of crisis. For example, US auto maker General Motors was one of the most profitable industrial corporations in the world. Facing the oil crisis, General Motors’ car sales dropped 35.7 percent in 1974, and it had to lay off 65,000 workers and close 22 car production plants.6

Influence of the Oil Crisis on South Korea

Although South Korea was not a direct target of the Organization of Arab Petroleum Exporting Countries (OAPEC)’s oil embargo, it was also influenced by the oil crisis. Some of the economic indicators of South Korea, including Gross Domestic Product, GDP growth rate and export/import data show the impact on its economy. Compared to the Western Countries which were hit hard by the oil crisis, South Korea suffered less. Yet the impact still reached its economy.

President Park Chung Hee assumed office in 1961 through a military coup. He initiated a government-guided program to restructure the economy and stimulate development. South Korea followed a state-led development economic model. The First Five Year Plan started in 1962. The government invested heavily in domestic infrastructure and provided enormous support to certain industries like steel making and shipbuilding. As a close ally of the United States, South Korea was hit hard by the oil embargo. A New York Times article from February 1974 described the impact of the oil crisis:

The first thing that strikes the visitor after several months’ absence from Korea is the leap in prices. The taxicab from the airport to the hotel that once cost $2.50 has become $3.25. A meal that was $1.75 is now $2.28. A gallon of gasoline, formerly 60 cents, is now $1.80. A newspaper headline reports price increases on industrial products ranging from 7 to 57 per cent.\(^7\)

Apart from the increase in living expenses for the average person, the economic indicators also show a broader macroeconomic impact. In 1974, Deputy Premier Tae Wan Son said in an interview that, “since the oil crisis has been so sudden and there is so much uncertainty about the future, we have not revised our long-run objectives at the moment.” In 1973, South Korea had an economic growth rate of 14.83%. In 1974, the growth rate dropped to 9.46% as a result of the oil crisis.

The graph above demonstrates the impact of the oil crisis. For the entire period of the 1970s, South Korea kept its stable and continuous economic growth. As a result of the successful government-guided economic development plan, South Korea’s manufacturing sector thrived in the late 1960s and the early 1970s.

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In addition, the increase in oil prices also changed South Korea’s balance of payments, with import costs rising from $3.2 billion in 1973 to $4.5 billion in 1974. The graph shows the change in the percentage of oil imports to total exports. From 1974 to 1975 the data increased substantially, which caused a decrease in South Korea’s trade surplus.

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The table above shows the average annual growth rate of trade for South Korea compared to the world. The table shows that South Korea was experiencing rapid expansion of both imports and exports.

Figure 3: South Korea and the World: Average Annual Growth Rate of Trade 1962 to 1995
(Source: USC)

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10 Yoo, Chull. (1999). The long economic cycle and the industrial upgrading of South Korea. *Graduate School of University of Southern California*, Bell & Howell Information and Learning Company
and exports in the 1960s. Because of the oil crisis, South Korea’s export growth rate decreased from 98.6% in 1973 to 38.3% in 1974. In the following year of 1975, it dropped to 13.9%. In terms of South Korea’s imports, the import growth rate increased from 5.3% in 1972 to 68.1% in 1973. In 1975, the growth rate continued to be high at 61.6%. The oil crisis slowed down world economic growth, which in turn impacted South Korea. Being an exporter to Western markets, the decrease in demand in Western countries meant a decrease in the exports of South Korea. At the same time, the dramatic increase in oil prices meant that South Korea was forced to spend significantly more money on purchasing oil, which is reflected in the increase in imports.

**Influence of the Oil Crisis on North Korea**

North Korea operates under a planned economic system. Its major trading partners were the socialist countries including the Soviet Union, China and the Eastern European states. There are limited statistical data on North Korea’s economy. According to the data from the UN Department of Economics and Social Affairs, North Korea’s GDP was $6.63 billion in 1973 and $7.32 billion in 1974. It was marginally affected by the oil crisis.
The graph above shows the Gross Domestic Product (GDP) of the Democratic People’s Republic of Korea from 1970 to 1977. For the entire period, North Korea maintained a stable economic growth rate. However, North Korea only published a small amount of economic data in the 1970s. The international organizations were not able to provide a clear view of the general image of North Korean economy either. Due to lack of information on other economic indicators like import and export data, Gross National Income (GNI) and the balance of payments, my analysis only uses GDP data.

Another indirect influence of the 1973 oil crisis on North Korea’s economy could be seen in the debt default in the following decades. Starting in the 1970s, North Korea briefly opened its

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economy to some Western countries in order to obtain advanced machineries and modern technologies. In exchange, North Korea exported its minerals to the West. When the 1973 oil crisis began and the Western countries fell into a recession, the demand for North Korea’s minerals dropped. The consequence was that North Korea had to suspend its payments on the debts. By 1976, North Korea’s total debts were estimated to be about $2 billion, with close to $1 billion owed to the Western countries and Japan and the other $1 billion owed to China and the Soviet Union.\(^\text{12}\) North Korea was not able to repay the debts until the late 1970s, when its international trade caught up. The debts were the evidence of the 1973 oil crisis’s indirect influence on North Korea’s economy. However, its immediate influence remained insubstantial.

**Energy Structure**

The primary reason for the difference in the impact of the oil crisis on the Korean Peninsula was the difference in energy structure. Because of the geographical diversity that existed on the northern and southern part of the peninsula, North Korea had more proven coal reserves than South Korea. In addition, the more rugged topography in the north means that North Korea was able to utilize hydropower more efficiently than South Korea. Coal and hydropower were alternative energy sources for oil. When the energy crisis emerged, North Korea was able to switch to the alternative energies to ease the reliance on oil. For South Korea, without coal and hydropower serving as substitutes for oil, it had to bear the consequences of the increasing oil

price.

**South Korea’s Energy Structure**

The Korean Peninsula has a very limited quantity of proven oil reserves. South Korea relied heavily on oil imports. The two major sources of energy in South Korea were coal and oil. In 1965 when South Korea initiated its primary stage of industrialization, over 60% of energy consumption was coal. Oil only accounted for 10%. With economic development and the government-guided development of targeted industries, the demand for oil increased significantly and quickly surpassed coal to become South Korea’s biggest source of energy.\(^{13}\) By October 1973, when the oil crisis hit, oil consumption had risen to 55% of total energy consumption, while coal had dropped to around 35% percent. Throughout the 1973 oil crisis and up until the 1979 oil crisis, the import of oil in South Korea was handled by two US oil companies. In the 1970s, almost all of South Korea’s oil came from the Middle East, with Saudi Arabia being the biggest seller.\(^{14}\)

**North Korea’s Energy Structure**

Because of the mountainous terrain of the northern part of the Korean Peninsula, North Korea has an abundant mineral reserve. Although North Korea has no coking coal, it has a


substantial anthracite reserve in Anju, Anjo, and other areas. The US Energy Information Administration estimated North Korea’s total coal reserve to be 661.39 million short tons. Mass industrial coal mining started in the 1910s. The mines in Kyeongwon, Hamgyeongbuk-do were able to produce high quality anthracite to support thermo power plants and steel works\textsuperscript{15}. North Korea was making continuous efforts to improve its mining technology and energy efficiency. In 1968, the Pyongsong University of Coal Industry was established in order to conduct research and train experts on coal resources.

North Korea also has more hydropower potential than South Korea. The Northern part of North Korea has a relatively high elevation. The Yalu River shared by North Korea and China originates from the Paektu Mountain and flows into the Yellow Sea. The 2500m water level difference provides plentiful hydropower potential for North Korea. The first dam on the Yalu River was completed in 1937. After the Korean War, North Korea and China formed joint projects to build a series of dams to utilize the hydropower. Four major hydropower stations were built on the Yalu River: the Supung Dam, the Tiapingwan Dam, the Wiwon Dam and the Unbong Dam. As of the 1970s, all of these dams supplied steady electricity to North Korea’s factories, railroad and the cities.

Case Study: Railroad

North Korea and South Korea developed their economies based on the natural resources available. With the resources, they constructed some key economic sectors differently. One of the cases is the development of rail transportation. In the 1970s, most of the main lines of North Korea’s railroad system had achieved complete electrification while South Korea’s railroad widely used diesel locomotives.

North Korea started its electrification of the railroad system rather early. A large percentage of North Korea’s rail network was destroyed during the Korean War. After the war, repairs and reconstruction were started with help from Russia and China. Steam locomotives had also became outdated in the 1950s, as new electric locomotives and diesel locomotives had shown their advantages in traction power, operational efficiency and maintenance. Replacing the obsolete steam locomotives with diesel locomotives was considered an easy and effective way to update the system because diesel locomotives need few additional facilities. The electric locomotives had better performance in tackling mountain grades. However, they needed full electric supply along the rail line and the installation of overhead line systems. North Korea’s choice was the electric locomotive. The Korean State Railways, North Korea’s state owned rail operator, started the electrification of the existing rail lines in 1956. In May 1956, the electrification of a 50 km-long section of the Pyongra line from Yangdok to Chosong was finished and opened to rail traffic. Soon after, mass railroad electrification occurred as part of the
Chollima movement. While building electric facilities, North Korea was also making progress on the production of electric locomotives. The Kim Chong-t'ae Electric Locomotive Works in West Pyongyang initiated the research and development of North Korea’s self-built electric locomotive. The first domestically made electric locomotive “Red Flag 1” was introduced in 1961. Over 150 Red Flag 1 locomotives were manufactured. The electrification continued throughout the 1960s, and North Korea reached 1000 km of electrified rail lines in 1970.

South Korea’s railroad electrification started much later. After the Korean War, the United States assisted South Korea in rebuilding its railroad system. The rail equipment producers in the United States, such as General Electric, Electromotive Diesel and ALCO all specialized in the production of diesel locomotives and had limited experience in manufacturing electric locomotives. The obvious choice for South Korea was therefore diesel locomotives as the replacement for steam locomotives. Progress in electrification was slow. In March 1972, construction of the 80.1 km long Taebaek Line from Jecheon to Gohan was finished. It was the first electrified railroad in South Korea. However, facing challenges in the operation and maintenance of electrified rail lines, South Korea did not start regular electric locomotive service

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on the Taebaek Line until 1974. In the term of the motive powers, South Korea simply did not have the technology and experience in producing electric locomotives that North Korea did. Thus, an order was made to Alstom, a French railroad equipment producer. A total of 66 Alstom electric locomotives were introduced to the South Korean railways between 1972 and 1976.

Railroads are of great importance in the transportation of passengers and cargo. An efficient railroad system serves as a vital lifeline of an economy. When the oil crisis hit the Korean Peninsula in 1973, North Korea had a solid electrified railroad system with most of the mainlines electrified. Its motive powers consisted of a large fleet of electric locomotives and a relatively small number of diesel locomotives and steam locomotives. As the electric locomotives consumed electricity produced using coal or hydropower, North Korea’s railroad system was mostly relieved from the consumption of diesel fuel. As for South Korea, diesel locomotives were the workhorses of the entire railroad system before regular electric locomotive operation started in 1974. South Korea’s railroad system had no other choice but to depend on oil imports. When oil prices increased during the oil crisis, South Korea’s railroad was impacted directly. The increase oil prices raised up the cost of transporting passengers and cargo, and in turn affected the entire economy.

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**Industrial Layout**

The industrial layout of these two economies also helps to explain the differences in the impact of the 1973 oil crisis. As of the early 1970s, North Korea’s industrial production was focused on heavy industries. On the other hand, South Korea had a more balanced industrial layout with both heavy and light industries, which required more oil and petroleum products. Thus, the higher industrial demand for oil made South Korea more vulnerable to the oil crisis.

As a vital part of modern society and industrial production, oil is not only a source of fuel, but also an essential raw material in every aspect of people’s life. The most common use of oil is as fuel. After refining, oil is used as petroleum, diesel, jet fuel, liquefied petroleum gas (LPG) and kerosene. These fuel oils are widely used in transportation and production processes. The other major use of oil is to mix certain types of resultant hydrocarbons with other compounds to create the final products. These oil products include plastic, lubricants, wax, sulfur acid and asphalt. In North Korea, the steel industries and machinery industries consumed a large quantity of coal, iron ore and electricity. As a more balanced economy, South Korea had a much wider range of industries, including petrol chemical industries, consumer commodities, shipbuilding and electrics. The variety of industries had a higher demand for oil.

**South Korea’s Industrial Layout**

South Korea’s economy was more balanced with both heavy and light industries. The existing literature indicates that the main reason for the more significant impact of the 1973 oil crisis was...
crisis on the South Korean economy was its high level of economic integration into the world trade system. Here, I emphasize that industrial layout also played a role, while recognizing at the same time that it was partly influenced by the world trade system.

South Korea experienced a period of rapid economic growth after the 1960s, known as the “Miracle on the Han River”. It benefited from President Park Chung Hee’s protectionist economic policies and state-led development model. The business conglomerates like Samsung, Hyundai and LG started to prosper. During this period, the South Korean government laid down a policy foundation to build South Korea into an export-oriented economy.20 Constrained by a lack of natural resources and a small domestic market, South Korea’s industrial model was to import raw materials from abroad, manufacture finished products, and export the products to overseas markets.21 Being an ally of the United States, South Korea had close relations with the Western countries, which ensured its access to machinery imports and a large market for exports. The value-adding process brought South Korea into an era of successful economic development.

After the 1960s, the South Korean government provided support to a number of targeted industries. Two key industries were consumer electronics and shipbuilding. Benefiting from the government’s policies, Samsung and LG’s light industries quickly expanded. In the late 1960s,

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Samsung established Samsung Electronic Devices and Samsung Electro-machines to complete in the consumer electrics market. LG entered the same market in the 1960s. In the 1970s, South Korea’s semi-conductor production quickly occupied a significant market share among the developing countries. The consumer electronics industry became an essential part of South Korea’s economy. As for the shipbuilding industry, South Korea grew to be one of the biggest shipbuilders in the world in the 1970s. Shipbuilding corporations like Hyundai Heavy Industries and Daewoo Shipbuilding and Marine Industries constructed shipyards in Ulsan with the capacity to construct containerships, bulk cargo ships and tankers.\textsuperscript{22} The shipbuilding industry’s prosperity extended to affiliated industries like steel and machinery. In short, South Korea had a more balanced industrial structure between heavy and light industries, which deepened its dependence on oil imports.

**North Korea’s Industrial Layout**

North Korea has an economy based on heavy industry. During Japan’s colonial occupation, the heavy industrial facilities were constructed in Pyongyang and Wonsan. The Wonsan Steel Works was one of North Korea’s biggest steel mills, providing North Korea with effective steel production. North Korea started its state development plan, the Chollima Movement in 1956. The objective of this movement was to boost the industrial output and increase the living standard of the general population. Apart from improving the existing factories, North Korea also

\textsuperscript{22} Yoo, Chull. The long economic cycle and the industrial upgrading of South Korea. *Graduate School of University of Southern California*, Bell & Howell Information and Learning Company, 1991.
heavily invested in new factories, especially the heavy industries. The heavy industries of North Korea could function properly with domestic natural resources and did not rely on imported raw materials like oil. The light industries such as the production of consumer commodities were largely neglected.

Figure 5: Distribution of industries, 1964. (Source: Korean Foreign Language Publishing House)
Another reason for North Korea’s choice of pursuing such development strategy besides colonial heritage was the establishment of the Juche Ideology. In the 1950s, The Korean War reconstructed North Korea’s state ideology. Armed with Soviet Union military equipment, Kim Il-Sung led the army south until the victory was hindered by the intervention of the United States-led United Nations military forces. With the Chinese People’s Volunteers Army intervening from the North, the Korean War ended in a truce near the 38th parallel. After the war, the North Korean leadership reviewed the influence of foreign powers on Korean politics and conceptualized their thoughts. In 1955, Kim Il-Sung first mentioned the idea of “Juche” in his speech "On Eliminating Dogmatism and Formalism and Establishing Juche in Ideological Work". From that speech he described Juche as:

To make revolution in Korea we must know Korean history and geography as well as the customs of the Korean people. Only then is it possible to educate our people in a way that suits them and to inspire in them an ardent love for their native place and their motherland. 23

The Juche Ideology was gradually completed in the following years. Kim Il-Sung described the three main principals of Juche as: Chaju(자주), Charip(자립) and Chawei(자위), which

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means political independence, economic self-susubstance and defense self-reliance.\textsuperscript{24} Under the guideline of Juche Ideology, North Korea maintained a close relation with the Soviet Union by cooperating in politics, economics and defense at the same time it insisted on independence.

The second pillar of the Juche Ideology, Charip stressed the need for North Korea to build a self-sustaining economy that does not depend on other countries but relies on North Korea’s own resources. According to Kim Il-Sung, Charip was “to be free from dependence on others, stand on its own feet, and develop on the strength and efforts of the North Korean people.”\textsuperscript{25} The major aspect of the Charip idea of the Juche Ideology is that an economy which is self-sufficient provides the material guarantee of North Korea’s political independence and the ability for self-defense. The Charip idea also argues that an equal and mutually beneficial cooperative relationship between countries should be built on the basis that each country has a self-providing economy. After the Korean War, North Korea’s infrastructure was largely destroyed. The country needed a strong industry to manufacture the products that could quickly rebuild the country’s infrastructure, which meant prioritizing the heavy industries. The other reason for such an uneven development between light and heavy industries was that the belief in heavy industries as the backbone for economic development, which could bring development to upstream and downstream industries to mitigate the reliance on the Soviet Union and China. By making the


heavy industries a top priority, North Korea was able to achieve Charip, economic self-dependence, quickly and effectively.

Apart from the motive of achieving economic independence through the development of heavy industries, Charip called for developing the economy with North Korea’s own resources, which meant not relying on energy imports. North Korea’s guidelines for economic development were based on utilizing the proven natural resources inside its territory. With sufficient coal and iron ore reserves, North Korea made the rational choice to build a heavy industry-based economy.

Conclusion

The different effects of the 1973 oil crisis on North Korea and South Korea can be attributed to multiple causes. Although it was heavily influenced by economic integration, the physical geography and industrial layout were also essential factors. The fundamental geographical features of the Korean Peninsula determined the natural resources available for both economies. North Korea was able to use the abundant coal reserve and hydropower resources as alternatives to oil. For South Korea, with less useable coal and hydropower, it had to depend on the import of oil to power its economy. Moreover, North Korea’s industrial layout emphasized heavy industries more. The introduction of the Juche Ideology as the state ideology required North Korea to be

self-reliant. Charip, one of the three pillars of the Juche Ideology called for economic independence, which encouraged North Korea to develop its economy using its own available resources. As there was little oil reserve in the Korean Peninsula, North Korea developed the heavies industries using coal, iron ore and other minerals. Unlike North Korea, South Korea’s economic strategy was to construct an export-oriented economy, which determined its needs to develop a diversity of both heavy and light industries. The demand for oil was high. With less alternative energy options and an oil-dependent industrial layout, South Korea experienced more severe impacts of the 1973 oil crisis.
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