

DAEWOO'S OVERSEAS AGRIBUSINESS EXPANSION



Boundary between the PT. BIA Palm oil plantation owned by Posco Daewoo and the standing forest in Papua, Indonesia.
Photo credit: Mighty Earth, 2016.

Ten years ago, headlines around the world reported the shocking news that a subsidiary of Daewoo Logistics called Madagascar Future Enterprise Corp., was negotiating a 99-year lease with the government of Madagascar for 1.3 million hectares of arable land – almost half of the country’s arable land. Their plan was to grow corn and oil palm in four regions of the island for shipment back to South Korea to produce animal feed and biofuel respectively. Today, far from the 1999 bankruptcy of Daewoo Motors, South Korea’s Daewoo is one of world’s largest transnational conglomerates and continues to expand a business empire that extends from manufacturing and trade to natural resources like oil and gas, minerals and food.

In 2010, after it merged with POSCO, one of South Korea’s biggest steel companies, Daewoo International began cooperating with the Korea Rural Community Corporation, a public enterprise established in 2000 to develop an overseas food supply for South Korea. In September 2011, Posco Daewoo launched into the oil palm business in Indonesia targeting initial investments in the politically conflictual province of Papua. Papua is the latest frontier of oil palm expansion in Indonesia - the number of plantations operating in the province has increased at a staggering rate since 2005. Before 2005, there were only seven plantations operating in the area. In 2014, more than 21 oil palm companies were operating there and around 20 other companies were in the late stages of getting permits to join in.¹

On its website, Daewoo states that it has a large-scale oil palm concession area of 34,195 ha, plus facilities, under its subsidiary PT Bio Inti Agrindo (PT.BIA) in Papua. The goal is to complete planting by 2018, and work further to build a business of producing and selling edible oil products. But evidence from the ground shows that Daewoo controls a larger land area for oil

palm plantations than what is publicly announced on its website. The multinational actually controls 36,401 ha. Operated by PT.BIA, the oil palm plantation is located in Papua’s Merauke district and started operations in 2012.²

Problems in Papua...

Numerous complaints have been filed against Daewoo’s subsidiaries in Papua. In their sustainability report, PT.BIA claims to be compliant with Indonesia’s no-burning laws by prohibiting burnings during ground-leveling activities.³ But local communities and the Global Forest Watch (GFW) have been reporting otherwise. Evidence gathered across Indonesia by GFW during the massive forest fires of 2015 shows concentrations of fires around and inside PT.BIA’s oil palm concession.⁴

1. Y.L. Franky and Selwyn Moran. Papua Oil Palm Atlas. 2015.

Pusaka and Awasmiffee. <https://awasmiffee.potager.org/?p=1205>

2. Kabupaten Merauke. Izin lokasi Kabupaten Merauke kepada PT Bio Inti Agrindo untuk keperluan perkebunan kelapa sawit di Distrik Ulilin, Kabupaten Merauke. No. 258/tahun 2010.

3. PT. BIA Environmental and Social Report 2016. <http://www.daewoo.com/eng/foodResource.do>

4. Pusaka. 2015. Titik Api di Lahan Perusahaan Perkebunan Kelapa Sawit Papua. <http://pusaka.or.id/2015/10/titik-api-di-lahan-perusahaan-perkebunan-kelapa-sawit-papua/>



Map showing the countries where Daewoo's agribusiness projects are operational.

In addition to illegal fires, others have pointed at Daewoo's failure to fulfill its obligations vis a vis evicted communities. The multinational is also criticised for not complying with requirements to report on labour conditions in the plantations. Since 2012, PT.BIA has been clearing forest in an area called Ittadeh in Ulilin, in Merauke district, without any consent from the Mahuze Kewam indigenous community who owns the land. The company claims it paid Rp 375 million (around US\$ 26,000) but the payment was made to people from another village who do not own the land. PT.BIA then gave a Rp 92,400 (around US\$ 6,400) compensation to the Mahuze Kewam community and promised another compensation - but without any contract referring to the land area, how long the concession would remain in place, nor the value and schedule of the compensation payment. These promises were never fulfilled.⁵ Further, in 2015 and 2016, there were several reports from the community of violent acts from military officers securing the PT.BIA plantation area. The security officers shot

5. Pusaka. PT. BIA Tidak Memenuhi Kewajibannya. 2014. <http://pusaka.or.id/2014/08/pt-bia-tidak-memenuhi-kewajibannya/>

towards villagers after the latter blocked the entrance to the plantation.

...And in Madagascar

PT.BIA was founded in 2006 with headquarters in Jakarta, in Indonesia and, since 2011, it operates as a subsidiary of Daewoo International Corp. PT.BIA has networks and operations in Madagascar,⁶ with key Posco executives such as Oh-Joon Kwon, its CEO and President, also running PT.BIA. This indicates that Daewoo is still interested in agribusiness activities in Madagascar via its Indonesian subsidiary, in line with an earlier report from 2013.⁷ According to TANY, a Malagasy land defenders organisation, the fact that South Korea set up an embassy in Madagascar in July 2017 confirms the government's intent to see the

6. Company Overview of PT. Bio Inti Agrindo. 2018.

<https://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=130922232>

7. "Korean diplomacy sees new opportunity in Madagascar", Korea Herald, 17 February 2013, <http://www.koreaherald.com/view.php?ud=20130217000341>



Activists in South Korea rally against Indonesian rainforest destruction by Korean conglomerate Posco Daewoo. Photo credit: Mighty Earth, 2017.

project revived. The 2013 report also pointed to strong links between the Daewoo group and the South Korean government. Therefore, the TANY collective wrote an open letter to Korea’s Ambassador to Madagascar, Kim Kwon-il, in January 2018⁸ inquiring about the 2008 farming project and any quid pro quos arising from the many South Korean “gifts” to and investments in other projects in Madagascar whether in mining, agriculture, fishing or renewable energy.

Sourcing food in Ukraine and Myanmar

Daewoo’s agribusiness expansion does not stop with farm-based activities. The company maintains its core business in trading and is moving to secure grain distribution facilities including silos, export terminals, grain processing facilities and rice processing complexes for four major food commodities: wheat, corn, soybean and rice. Daewoo became member of the Grain and Feed Trade Association in 2015, and the Federation of Oils, Seeds and Fats Associations in 2016, to further consolidate its business in food trading.

The multinational has two major grain processing facilities, one in Myanmar and the other in Ukraine. Myanmar has been key for Daewoo’s business expansion, ever since the company recovered from its 1999 bankruptcy and discovered an offshore gas field in the country in 2004. In 2017, Daewoo won the approval from the Myanmar government for the construction and operation of a rice processing complex.

Through a US\$ 21 million investment, Posco Daewoo plans to build and operate the complex with an annual processing capacity of up to 100,000 tons in Twante, a river-front town between Yangon’s commercial port and Myanmar’s major rice area in Ayeyarwady Division. In a press release, the company says the project will enable them to grow and sell indica rice to Europe, the Middle East, Africa, China and Russia as major export destinations.⁹ However, the company does not reveal the total area for the Twante complex, nor where and how it will procure the rice.

In 2017, Posco Daewoo also continued to expand its agribusiness activities by investing US\$ 3 million to build

8. Open letter to his Excellency Mister Lim Sang-woo, ambassador of the Republic of South Korea to Madagascar <http://terresmalgaches.info/spip.php?article200>

9. Posco DAEWOO Expands Grain Business in Myanmar. 2017. https://www.daewoo.com/eng/pressReleaseView.do?u_id=5589&page_name=%2Feng%2FpressReleaseView.do

a grain terminal in the port of Chornomorsk, Ukraine. Chornomorsk is located on the northwestern shore of the Black Sea, to the southwest of Odessa province. The grain procurement in Ukraine was further solidified upon signing a Memorandum of Understanding with Fedcom Invest, a large grain company in Ukraine, with more than one million tonnes in trade volume. The business is seen as contribution to South Korea's national food security by increasing food imports to the country.¹⁰ Fedcom Invest itself was allegedly involved in a corruption scandal linked to the State Food and Grain Corporation of Ukraine that led to the freezing of Ukrainian assets of the company's Chairman, Alekszej Fedoricsev, by the National Anti-Corruption Bureau of Ukraine. However, the judge decided to unfreeze Fedcom Invest CEO's assets in May 2017. When contacted about the grain milling project, Posco Daewoo both in Seoul and in Kiev said that any detail about their ongoing investments in Ukraine is a business secret and cannot be revealed to the public, but that new developments will be reported by year's end.¹¹

Coming from a zero background in agriculture, it is clear that Daewoo seeks further profit in this sector. A

10. Posco Daewoo Sustainability Report 2016. Beyond Trade, Pursuing Future Business. https://www.daewoo.com/inc/download2.jsp?destFileName=2016_POSCO_DAEWOO_Sustainability_Report_Eng.pdf&filepath=/downFiles/sustain/

11. GRAIN communication with Posco Daewoo in Seoul on 13 April 2018 and with Posco Daewoo in Ukraine on 17 April 2018.

number of factors appear to be encouraging the multinational's agribusiness expansion plans. Since the launch of the South Korea Comprehensive Plan for Overseas Agricultural Development in 2012¹², the South Korean government has barely shown concern on how national companies like Daewoo operate abroad. In fact, restraining measures have been conspicuous by their absence.

Further, sustaining national food security through increasing food imports is a serious blow to the small farmers of South Korea. In January 2018, one of Posco Daewoo's CEOs stated to the media that the firm's future focus is also in the food business¹³. A few South Korean media¹⁴ report in a positive light that Posco Daewoo is developing future food sources overseas, but with no hint of adverse effects on the farmers and communities on the ground in Indonesia, Madagascar, Myanmar or inside South Korea itself.

12. South Korea Ministry for Food, Agriculture, Forestry and Fisheries. September 2012. South Korea Comprehensive Plan for Overseas Agricultural Development. Translated by ISC.

13. Song su-hyun. January 2018. Posco Daewoo to focus on steel, gas and grains. Korea Herald. <http://www.koreaherald.com/view.php?ud=20180126000678>

14. Ben Jackson. 2017. Meet the S. Korean Companies Destroying Indonesia's Virgin Rainforest <https://www.koreaexpose.com/south-korean-companies-destroying-indonesia-virgin-rainforest/>

Box 1. Daewoo, from bankruptcy to South Korean conglomerates¹⁵

The Daewoo Group was established in 1967 and grew into the second largest South Korea *chaebol* (conglomerate). Like many other Asian multinational companies, Daewoo was hit hard by the 1997 Asian financial crisis and declared bankruptcy in 1999. This box shows the evolution of the Daewoo Group after 1999, when the company returned with a vengeance following the discovery of offshore gas fields in Myanmar and then diversified its portfolio. (Highlighted entries show Daewoo's agri-resources business interests).

- 2000** Daewoo International Corporation spun off from Daewoo Corporation
- 2004** Discovered Myanmar A-1 offshore gas field;
Reported sales over KRW 5 trillion (roughly US\$ 4,5 billion)
- 2006** Discovered Myanmar A-3 offshore gas field
- 2008** Concluded contract for gas sales from Myanmar offshore gas field;
Broke the KRW10 trillion (roughly US\$ 9 billion) mark in sales
- 2009** Declared commercial viability for the development of Myanmar's offshore gas field
- 2010** Incorporated into the POSCO Group
- 2011** Acquired South Korea's East Sea 6-1 field exploration rights;
Launched into palm oil plantation business in Indonesia.
- 2012** Entered into contract for improving hospital facility with General Hospital H. Adam Malik in Indonesia;
Began production of bituminous coal in Narrabri, Australia;
Entered into a combined cycle power plant in Algeria worth US\$ 1.06 billion.
- 2013** Entered into contract for a US\$ 820 million combined cycle power plant in Uzbekistan;
Started commercial production at the Myanmar gas field;
Concluded contract for the Northeast Asia Trade Tower (NEATT) in Songdo. Held a ceremony to mark the production at the Myanmar offshore gas field;
Acquired a 50-percent stake in a tight oil in Canada.
- 2014** Entered into contract for a 60MW independent power project in Papua New Guinea;
Awarded a US\$ 1.4 billion contract to build a combined cycle power plant in Algeria;
Started construction of a hotel in Myanmar;
Passed the KRW 20 trillion sales mark (on consolidation basis)
- 2015** Panama branch established;
Obtained the Grain and Feed Trade Association membership;
Entered into contract with Royal Papua New Guinea Constabulary for building communications network and CCTVs;
Entered into contract with GM Uzbekistan to supply automotive assembly parts
- 2016** **Obtained Federation of Oils, Seeds and Fats Associations Ltd membership;**
Changed company name to POSCO DAEWOO;
Entered into contract with the Peruvian government to supply intelligent patrol cars;
Entered into contract with US solar lights manufacturers to supply 30MW solar light modules;
Entered into contract with UK's largest pharmacy chain, Boots UK Limited, to feature Korean cosmetics brands in Boots stores.
- 2017** **Obtained approval for investment in grain-processing facility in Myanmar;**
Merged with steel business unit of POSCO P&S;
Obtained exploration rights in Deep Sea Block DS-12 in Bangladesh;
Entered into contract with National Grid UK to supply KRW 50 billions of transformers;
Entered into contract with Myanmar government to supply 200 school buses;
Opened Korean Exhibition center in Yiwu, China.

15. Posco Daewoo history. <http://www.daewoo.com/eng/history.do>



GRAIN is a small international non-profit organisation that works to support small farmers and social movements in their struggles for community-controlled and biodiversity-based food systems.

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