



South Korean External Strategy Qualms: Analysis of Korean Overseas Agricultural Investment within the Global Food System

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Abstract

There has been many reports of large scale land investments by South Korean companies most notably the now infamous Daewoo Madagascar deal in 2008, but very little actual research has been done on the scale, scope and nature of South Korean overseas agricultural investments. The findings show that the scale and scope Korean government supported agricultural activities overseas is lower than reported in international media, and that Korean is not a major player in overseas agricultural activities still dominated by large private actors. Secondly, we seek to provide a deeper understanding of Korean activity, the historical origins of South Korean food import dependence, and how it has led to the current focus on overseas food production and trade. Finally, we provide a review of the Korean government's 10 Year Plan for Overseas Agricultural Development, the main support policy for Korean overseas agricultural projects.

Introduction

Introduction

The increase of foreign agricultural investment from emerging and middle-income countries has received international interest especially since the South Korean company Daewoo Logistics was reported to have leased 1.3 million hectares in Madagascar in 2008 (BBC News, 2009; Blas, 2008; Walt, 2008). The deal became symbolic for the land-grabbing debate because of its size and the ensuing riots and overthrowing of the Madagascan government. However, accurate information on the background and details of the deal remained obscure. Nevertheless, the Daewoo case raised awareness internationally of a new group of foreign investments in farmland from resource scarce middle-income countries such as the Gulf countries and South Korea, but research on the scope, nature and reason for why these countries have entered into overseas agriculture remains scarce. In the case of South Korea, no research has been published, as far as we have been able to identify. In this paper we wish to shed light on South Korean overseas agriculture in three ways:

1. Situate South Korean overseas investments in a more balanced analysis of the scale and scope of foreign agricultural investment after the food crisis based on main actors, characteristics and historical transition and compare official government data on overseas agricultural investments with data from the organization GRAIN and the International Land Coalition.
2. Provide an analysis of the historical origins of the country's food insecurity or more precisely food import dependence.
3. Provide deeper insights into the government's strategy for overseas agricultural investments as a response to concerns over increasing food prices and instability of the world grain market.

The findings of this paper point to that the actual position and scale of current Korean investments is overestimated in the global picture not only in global food supply system but also in the recent boom of land deals. Secondly, that the notion of food insecure or food import dependent countries should be critically assessed for each country based on an historical analysis of that particular country's history of food and agricultural policy within a world historical perspective and critical analysis of the trajectory of economic development. Finally we argue that the government's policy of external agricultural development is building on existing experiences in which the state is "nursing" companies into a new sector where they have limited expertise, a model well known from other sectors of the Korean economy. Our theoretical framework for the paper builds on Food Regime Theory seeking to understand the "...the relations in which food is produced and through which capitalism is produced and reproduced" (McMichael, 2009a). To analyse the interrelationship between the government and private companies in overseas agricultural , we build upon Peter Evan's work on embedded autonomy and industrial transformation (Evans, 1995).

Position and scale of Korean Overseas Agricultural Investment

Foreign investments in the agricultural sector has existed in various forms for centuries ranging from direct involvement in cultivation of agricultural commodities to foreign engagement in upstream and

downstream industries, but the food crisis in 2007-08 resulted in changes to overseas investment in terms of the form, scale, and actors compared to picture seen previously in the past few decades. The food crisis in 2007 underscored how vulnerable the current global food system is to extreme weather, energy and financial markets, and unilateral government interventions in the form of export bans. Population growth, rising incomes, urbanization, biofuels, falling cereal stocks, and speculative investments continue to drive global demand and supply for food commodities (Hertel 2010). The uncertainty and the prospects for demand outpacing supply in the medium- to long term, hence rising commodity prices, make many investors and companies jump into the agricultural sector. But not only these private actors think agricultural resources are important. Many governments of food importing countries also think that access to land and water are national strategic priorities for national food security in what is regarded as an increasingly volatile market.

According to a report from the German Agency for Technical Cooperation (GTZ), foreign agricultural investors can be classified into four main categories; Private enterprises, governments, Sovereign Wealth Funds(SWF), and State-owned enterprises (Görge *et al.* 2009). A report from FAO categorizes investors according to capital flows, grouping investors into sovereign wealth funds, investment managers, pension funds, hedge funds, private equity funds, banks and agribusiness (Patrick 2009). Even though it is not easy to distinguish explicit boundaries among investors groups, the investors will be classified in 4 groups based on the GTZ report which focuses on public and private actors in order to more clearly interrelate with types of investment in this study.

Firstly, the most important actors are private actors. Many of the dominant private actors have been engaged in foreign agricultural investment since at least the end of World War II or earlier. Most investments in agricultural sector are still conducted by private entities. Despite of the recent new capital flow from middle-income and emerging economies, private companies from Europe and North America countries remain dominant (see Table 1). Even though 12 of global top 25 agricultural TNCs who do direct food production are headquartered in developing countries, higher value activities such as agricultural supplies (seed, fertilizer, herbicides, pesticides, machinery, etc.), food processing, and retail are concentrated in Europe and North America. The scale of these agriculture-related TNCs is usually much larger than that of agricultural TNCs. For example, the largest agricultural TNC, Sime Darby, is only comparable to the 24th largest food and beverage TNC, Fraser & Neave. (UNCTAD 2009) All top 25 suppliers of main inputs such as equipment, fertilizers and seeds are headquartered in North America, Europe or Japan.

Table 1
Top 25 TNCs in agribusiness industries, ranked by foreign assets, 2007

| Rank | Agriculture-based | Suppliers | Food and beverages | Retail |
|------|--|-----------------------|--------------------|-------------------|
| 1 | Sime Darby Bhd (Malaysia) | BASF AG | Nestle | Wal-mart |
| 2 | Dole Food | Bayer AG | Inbev | Metro |
| 3 | Fresh Del Monte | Dow Chemical Company | Kraft | Carrefour |
| 4 | Socfinal | Deere & Company | Unilever | Tesco |
| 5 | Charoen Pokphand Foods Public Company (Thailand) | El Du Pont De Nemours | Coca-Cola | McDonalds |
| 6 | Chiquita Banana International | Syngenta | SAB Miller | Delhaize |
| 7 | Kuala Lumpur Kepong (Malaysia) | Yara International | Diageo Pic | Koninklijke Ahold |

| | | | | |
|----|---|------------------------------|----------------------------------|---|
| 8 | KWS Saat | Potash Corp. of Saskatchewan | Pernod Ricard | Sodexo |
| 9 | Kulim (Malaysia) | Kubota | Cadbury | Compass Group |
| 10 | Campellia | Monsanto | Bunge | Seven & I |
| 11 | Seaboard | Agco | Heineken | China Resources Enterprise (Hong Kong, China) |
| 12 | Sipef | The Mosaic Company | Pepsico | Yumi Brands |
| 13 | Anglo-Eastern Plantations | ICL-Israel Chemicals | Moison Coors Brewing | Autogrill |
| 14 | Tyson Foods | Provimi | Kirin | Alimentation Couche Tard |
| 15 | PPB Group (Malaysia) | Bucher Industries | Archer-Daniels-Midland | Safeway |
| 16 | Carsons Cumberbatch (Sri Lanka) | Nufarm Limited | Associated British Foods | Sonae Sgsp |
| 17 | TSH Resources (Malaysia) | CLAAS KGaA | Carlsberg | George Weston |
| 18 | Multi Resources (Malaysia) | Saptec | HJ Heinz | Dairy Farm International (Hong Kong, China) |
| 19 | Bakrie & Brothers Terbuka (Indonesia) | Terra Industries | Danone | Jeronimo Martins |
| 20 | PGI group | Aktieselskabet Schouw & Co. | Anheuser-Busch | Kuwait Food Company (Kuwait) |
| 21 | Firstfarms | Genus | Wilmar International (Singapore) | Kesko |
| 22 | New Britain Palm Oil (Papua New Guinea) | Scotts Miracle-Gro | Sara Lee | Starbucks |
| 23 | Karuturi Global (India) | Kverneland | Constellation Brands | Burger King |
| 24 | Nirefs | Sakata Seed Corp. | Fraser & Neave (Singapore) | Maruha Nichiro |
| 25 | Country Bird Holdings (South Africa) | Auriga Industries | Danisco | Familymart |

Source: UNCATD 2009

A similar situation is the case in food processing and retail. Only 2 of the top 25 food and beverage companies and three of the top 25 retailers are from outside the North America, Europe, Japan triangle. Such TNCs from developed countries have accumulated experiences and know-how since colonial era. In colonial era, they engaged in form of direct control of arable land, vertical integration, and large-scale production for export. In post-colonial era after the Second World War, such direct type of foreigners' engagement in agricultural sector underwent a big change because of nationalism and anti-colonialism on one hand. However, fundamentally, the transition from direct involvement to more profitable indirect involvement such as marketing, shipping, managerial, financial and technical services because of the importance of global value chain of agribusiness on the other hand. (UNCTAD, 2009, Cuffaro and Hallam 2011) This dominant status of traditional actors in global food system hasn't changed that much even after the food crisis. They are keeping dominance through less risky, more capital-intensive, and higher profitable indirect sectors including contract farming, downstream or upstream production, and informative engagement (sale of standards, specifications) regardless of the crisis. (UNCTAD 2009) Their aggressive management and absolute monopoly status worked even effectively during the food crisis period. Cargil made the best record of profit in 2008 when it earned \$3.95 billion. Such windfall is based on disruptions in the global food chain and rising prices during the crisis. (Blas, 2011)

In contrast, many companies in developing and emerging economies such as Korea, China, Saudi Arabia and India have just begun to engage in offshore agricultural activities and became new actors in global agricultural investment. They don't have a strong private sector with long experience or know-how. For these countries, offshore food production and related agricultural industry are relatively infant industries and are yet to achieve strong global positioning and competitiveness (Y. Kim, 2010). Thus, within this global context some emerging economy governments and state-owned enterprises are playing important roles in gaining access to overseas agricultural land and commodities.

The government can be involved in numerous ways. For example they can use diplomacy to facilitate access to host countries and hence pave the way for private companies. Even if the final investment contract is signed by private companies, public actors may play a dominant role in facilitating and brokering land deals. Governments may also create more favourable conditions for domestic companies venturing overseas through financial and technical support services. Governments in host countries on the other hand can offer various incentives to satisfy the needs of foreign investors and facilitate capital inflow. (Görge *et al.* 2009). State-owned enterprises can also be actively involved in overseas agricultural activities. State-controlled companies can be directed to pursue political objectives such as securing overseas resources. For example, 'Zad Holding Company' from Qatar and 'China International Water & Electronic Corporation' have invested in agricultural sector of Zimbabwe for food security purposes. A significant amount of large-scale investments in the context of national food strategies can be assigned to state-owned enterprises (Görge *et al.* 2009, Patrick 2009). Lastly, Sovereign Wealth Funds (SWFs), which are state-owned funds also play an important role. SWFs are typically created when governments have budgetary surpluses of foreign currency from oil dollars or trade surplus. While investments by SWFs used to be restrictive in term of scale and target, they may affect global market significantly because of their scale and scope. Recently, SWFs from emerging economies are expanding their offshore investing targets because of rapid accumulation of foreign currency reserves. Especially SWF's of capital rich, but food insecure economies such as South Korea, Qatar, Saudi Arabia and the United Arab Emirates have begun to invest in the agricultural sector including overseas farmland. SWFs can be used both to support "packaged deals" in which overseas investments is part of a larger cooperation or aid package including infrastructure development, training and technology transfer (Yoon 2012). However, as mentioned above, developing economies led by public actors can't compete with powerful traditional TNCs from developed economies in the global food market in terms of scale despite of the recent boom after the crisis.

Furthermore, traditional old actors are even expanding investment in direct production after the food crisis. Agrifood companies increasingly sought to strengthen vertical integration of global supply chains in order to ensure a better security of supply in the chronic food crisis era. Direct production by the acquisition of land became increasingly popular to achieve this objective.(Shutter, 2011) Biofuel is also an important motivation for the land possession. Because of price increasing by limitation of fossil fuel and climate change, two most powerful developed economies, US and EU actively encourage massive biofuel production through compulsory substitute policy in order to curb oil dependency. Thus, the biofuel industry has become the fastest growing segment in global commercial agriculture and outsourcing biofuel production is one major reason of land possession in global South. (Killman 2008, Lee 2009, Franco et al 2011, Ravanera 2011) Together with these, financial capital such as investment banks, private equity funds, and hedge funds is also turning towards land and primary commodity partly because of the potential for short-term profits, but also as long-term strategy in cooperation with the multinational food chains after the 2007-2008 boom of food and primary commodity. (Visser and Spoor 2011)

Thus, in order to see the true colour of the transition after the food crisis and to accurately evaluate position of new actors focusing on Korea in overseas agricultural engagement, re-emergence of

direct investment including land possession by both of new and traditional actors and existing dominant indirect investment by primarily old actors should be comprehensively considered. To see it more clearly, the typology was made based on main actors, characteristics and historical transition of foreign agricultural investment. (See table 2)

Table 2. Typology of the foreign Agricultural Investment

| | Old Actors | New Actors |
|------------|---|--|
| Old Trends | <ul style="list-style-type: none"> ◆ Investors from developed countries (geographically more concentrated) ◆ Private actors who have abundant experience since colonial plantations ◆ Active participations by agriculture related TNCs such as food processing and supermarket chain ◆ Focusing on downstream or upstream production in host countries ◆ Less direct involvement including contract farming, implementation of standards and other information-intensive relationship | <ul style="list-style-type: none"> ◆ Not enough experience and know-how ◆ Fragmentary investments |
| New Trends | <ul style="list-style-type: none"> ◆ Investors from developed countries ◆ Mainly private actors ◆ Various motivation in the crisis time- Strengthening vertical integration-National importance of energy security regarding biofuel-Searching for new source of profit of financial capitals | <ul style="list-style-type: none"> ◆ Investors from oil rich and emerging economy ◆ Mainly governments or state enterprises or state funds(private actors with relatively strong states engagement) ◆ Food security is main motivation ◆ Focusing on direct food production and supply to origin countries |

To take one step further, about the direct investment, especially land grabbing itself, the portion of new actors reported by media or international NGOs should be precisely assessed. There has been a lot of focus on these new actors in global agricultural investments. Reports of very large scale deals between governments of food import dependent countries such as Qatar, Saudi Arabia and South Korea have been reported in the media most notably the 1.3 million hectare land deal between the Madagascan government and the South Korean company Daewoo Logistics in 2008. There is however significant uncertainty about the scale of scope of the investments done by governments of food import dependent nations. The organization GRAIN reported earlier in 2012 that more than 40 percent of transactions were classified as agribusiness, nearly 30 percent as finance, and less than 20 percent as government uses (Circle of Blue, 2012). The same report confirmed that the US and the UK along with China were the leading investors. With China as one of the largest investors, it can be assessed that the role of the Gulf Countries and South Korea in the overall picture is relatively small. However, In the case of South Korea, numbers as high as 2 million hectares were reported by the organization GRAIN in 2010. More recent information from GRAIN and the International Land Coalition report significant lower numbers ranging from almost 800.000 hectares in the GRAIN database (GRAIN, 2012)to a little over the 70.000 hectares in the Land Matrix database (International Land Coalition, 2012). Official data from the Ministry of Food, Agriculture, Fisheries and Forestry (MIFAFF) only report a total of 42.500 hectares of overseas investments since 2007 (Ministry for Food Agriculture Forestry and Fisheries, 2012). Similarly

there is a huge discrepancy in the number of projects reported. In the GRAIN study only 2 projects were listed including a 690.000 hectare deal in Sudan. The Land Matrix Database on the other hand reported 10 projects. The official numbers from MIFAFF at the end of 2011 was a total number of 86 projects in 20 different countries. If one is to trust the official numbers from the Korean ministry, and they do seem more reliable than the ones gathered by ILC and GRAIN, it can be assessed that the actual scale of overseas investments remain quite limited and that projects are smaller than reported in international media.

To summarize, the food 2007-08 crisis functioned as a momentum for a group of emerging economies to become increasingly involved in overseas agricultural activities. However the global market for food and agricultural production remains dominated by companies headquartered in North America, Europe and Japan. Private sector investments from these regions continue to represent a large share of foreign or overseas agricultural production, processing and trade. Nevertheless, the 2007-08 food crisis triggered a number of capital rich but food insecure countries with very limited overseas agricultural experience to enter the market. The governments of these countries are directly involved in a variety of ways to secure food supply. With few or no companies with experience or know-how state-owned enterprises, government ministries and finance institutions play an important role in pursuing government overseas food security strategies. It would be too early to judge whether this signals a fundamental or partial change in the global food system. However, both of new investment forms after the food crisis and existing dominant investment forms should be comprehensively considered not only in order to see the true colour of this transition, but also to accurately evaluate the recent engagement of Korean actors I overseas agricultural investment, the focus of the remainder of this paper.

Historical Origins of Food Import Dependence in South Korea

In this section we seek to critically assess the notion of food security and food import dependence, not primarily as a consequence of land scarcity and population density, but rather as a historically constituted political process using Food Regime Theory. Food Regime Theory seeks to historicize and politicize the articulation of global capital accumulation processes with food systems through time. Food Regime theory sought to identify periods of political hegemony in the global food system building on World Systems theory and French Regulation Theory (McMichael, 2009b). Regulation Theory centered the focus on identifying stable sets of relationships in which the food regime articulated with capital accumulation and the formation of nation states (Friedmann & McMichael, 1987:95) while the world systems approach sought to place the articulation in a world historical perspective. The basic definition of a food regime is a 'rule-governed structure of production and consumption of food on a world scale'. (McMichael, 2009b) It problematizes linear representations of agricultural modernization, underlines the pivotal role of food in global political-economy and conceptualize key historical contradictions of particular food regimes that produce crisis, transformation, and transition (McMichael, 2009a). It explores the role of agriculture in the capitalist world economy and the trajectory of the state system (Friedmann & McMichael, 1987) In short, the 'food regime' concept is not about food per se, but about the relations within which food is produced, and through which capitalism and the state is produced and reproduced (McMichael, 2009a). South Korea provides a good case for a Food Regime based inquiry. Economically and materially it is probably the most successful post-colonial state now ranked 15th in nominal GDP. However at the same time, the country has moved from being a net exporter of food to the world's fifth-largest food importer. In this paper we will take start from this periodization and categorization of three food regimes in order to shed light on the relations between food and capitalist development in South Korea.

The First Food Regime Period

The first food regime (1870-1930s) has been characterized as the 'Colonial Food Regime'. It combined the import of tropical products from the colonies Europe with basic grains and livestock from settler colonies in the temperate regions. These imports provided the basis for European industrialization by providing raw materials for industry and cheap foodstuffs to the European industrial classes, hence the colonial food regime underwrote capitalist industrialization first in the UK and later mainland Europe. (McMichael 2009b) In the Korean context the colonial food regime frame can be applied to the period of Japanese colonization of Korea (1910-1945). Throughout this period, the Japanese authorities significantly altered the agricultural sectors of both colonized Korea and Taiwan towards export oriented food production, especially rice. This restructuring was particularly intensified after Japan experienced a shortage of domestic supply leading to the so-called Rice Riot in 1918 (Honma and Hayami 2008). In order to achieve production increases, the Japanese colonial administrators further expanded the privileges of the land-lord/capitalist classes by creating legal and institutional environments encouraging land accumulation. The Japanese preserved feudal landlord tenant relations predating Japanese occupation, but they also expanded landholdings of Japanese landlords and capitalist enterprises while monopolizing all agricultural institutions including finance capital.(Pang, 2005) As a result, the rice production scheme was regarded as major success by Japanese administrators because rice imports from Korea and Taiwan enabled Japanese consumption of rice to quadruple between 1915 and 1935. (Anderson and Tyers 1992) The increased outflow of rice and other primary commodities and increased inflow of corresponding industrial goods meant that dependency on agriculture remained high for the Korean economy. (Honma and Hayami 2008). The exploitation of peasants led to the reemergence of the peasant movement. The peasant movement would have major implications for the years immediately following the Japanese defeat in World War II and the division of the Korean peninsula. As early as 1946, North Korea, implemented radical land reform. In the south, rumors about land reforms in the north spread, the US occupation force decided that land reforms were needed to stabilize the country. Thus, the National Assembly passed legislation that capped land ownership to 7.5 hectares in 1949. When the Korean War broke out in 1950, and North Korean forces swept through the southern part of the peninsula, land was seized from landlords and given to tenant farmers. By the end of the war, it was evident to US forces and the Lee Seong Man government that land redistribution was essential to upholding legitimacy and stay in control. By the mid 1950's land ownership had broken the old landlord system and by 1956 tenant farming was reduced to 7% (Lie, 1998, p. 12). The colonial food regime period in Korea thus saw the transformation of Korean agriculture to an export oriented model characterized by high concentration of land ownership within a few elite while the majority of the population served as tenant farmers. The colonial food regime ended with comprehensive land reforms leading to an egalitarian social and economic structure where a majority of the country's population owned their own land and the subsequent freeing of labor would be a major contributor to rapid industrialization. The colonial system of agriculture was completely dismantled a few years after the end of Japanese occupation.

The Second Food Regime Period

The second food regime, which McMichael and Friedmann labeled the 'Surplus Food Regime' (Friedmann & McMichael, 1987; McMichael, 2000) saw the global food flow reversed. While Southern colonies food flowed to Northern empires in the first food regime, Northern surplus food started to flow to the South in form of food aid or at cheap subsidized prices in the second food regime (Gimenez and Shattuck 2011). US overseas food aid was established on the basis of surplus agricultural production resulting from the programs established to address US agricultural depression in the 1930's. US farm

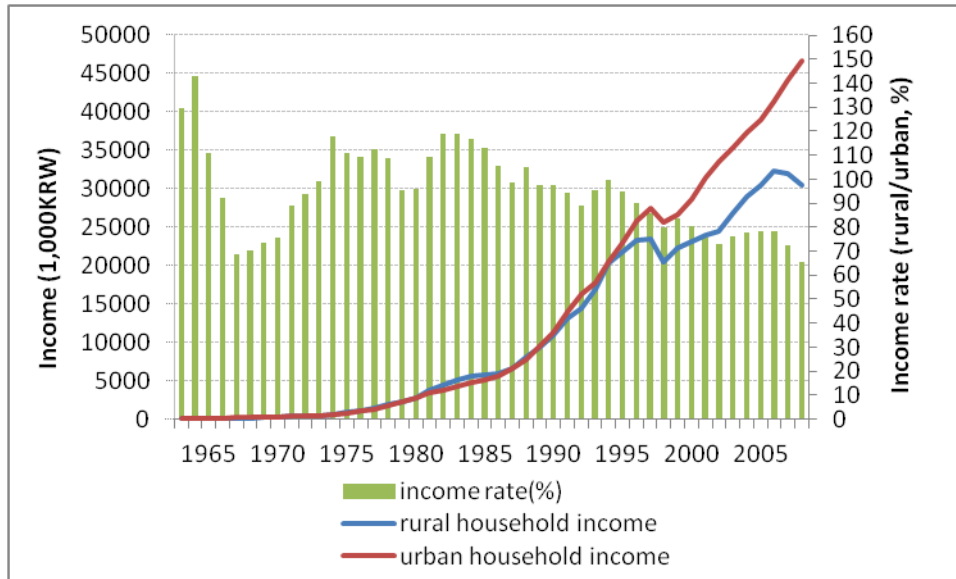
support under the New Deal program, controlled imports and offered subsidy to secure farmers' stable income regardless of the market price. The US distributed surpluses as food aid to its informal empire of postcolonial states on strategic perimeters of the Cold War. Food aid was a powerful tool to subsidize wages, encourage selective Third world industrialization and secure loyalty against communism. (McMichael, 2009a) The Food Aid Regime also played an important role in spreading the American agricultural system under the 'Green Revolution' agenda, which promoted high-yielding varieties of a few cereals coupled with heavy use of subsidized fertilizers, pesticides, irrigation and machinery (Friedmann 1998; Gimenez and Shattuck 2011). Thus for two decades from the mid-1950s to the mid-1970s, the US set up the US food aid centered- agricultural system giving the country powerful control over world agriculture (Friedmann 1998). The second food regime had deep impacts on third world diets especially among growing urban classes with cheap wheat, corn and animal protein replacing more local food items in diets. Finally the surplus food regime also served as a cradle of developing First world upstream and downstream agro-businesses who have come to dominate world agriculture.

The South Korean state that emerged from the devastation of the Korean War, was one of those strategically important perimeters of the Cold War and a major recipient of US food aid under the popular name "Food for Peace" or PL480. Food aid and land reforms were important components of stabilizing the fragile and unstable South Korean state together with land reforms. However by the 1960's PL480 came to underwrite Korean economic development by providing the rapidly growing working class with cheap foods while keeping domestic agricultural prices low (McMichael and Kim 1994). The population boom following the war made it difficult for the younger population to obtain land for farming or find employment in rural areas. And whatever surplus farmers were able to accumulate was appropriated by the government through taxes and diverted to the industrial sectors¹ under the industrialization policy towards export oriented manufacturing (Bello 2009, Kay 2001)

By 1970, the state of the rural sector had become an area of primary concern to the military government both politically and economically. The rural population was a significant power base for the regime, but rural income had fallen below urban incomes in late 60s (Boyer & Ahn, 1991; Lie, 1998).(See Figure.1)

¹ However most funds for industrialization came from foreign borrowing in Japan and the US, not from accumulation in the domestic agricultural sector (Lie, 1998). From 1962 to 1986 South Korea received over 47 billion USD in foreign commercial loans and borrowings from development agencies to finance industrialization

Figure 1
Korean Rural and Urban Income Comparison



Source : Korea statistics²

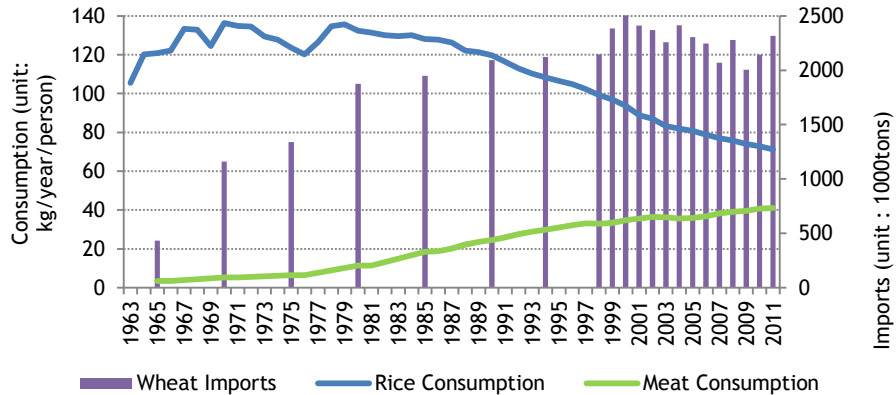
US food aid under PL480 was also about to be phased out. Without domestic food self-sufficiency, the Korean government was faced with spending significant amounts of its foreign reserves for overseas food purchases (Lie, 1998). In 1970 President Park Chung Hee announced a set of new and ambitious rural development programs to increase domestic agricultural production and improve rural livelihoods. The most famous of these programs was the Saemaul Undong program (New Community Movement) which was to revitalize rural areas through a spiritual awakening of the backward peasantry and modernize agriculture through massive investments in rural and agricultural infrastructure (Boyer & Ahn, 1991; Brandt, 1979). The government quadrupled government expenditure for large scale infrastructure projects such as dams, reservoirs and irrigation (Boyer & Ahn, 1991). Green Revolution policies were also implemented by introducing new cultivation techniques, seed varieties, and machinery. As Green Revolution technologies were adopted, the Korean countryside was extended into the US-constructed Pacific regional economic framework (McMichael 2009b; McMichael 2000). Significant protectionist measures were also established and high tariffs and import bans were implemented with the rise of the statist agricultural system (C. Kim, 2006). A typical state direct subsidy program was the rice purchasing program that the government buys rice at the certain price once farmers produce, which helped a lot to boost income of farmers with high yielding cultivation technologies. Meanwhile consumer prices were kept low. As such the rice purchasing program subsidized both the rural and urban family economy. Rural development programs and protectionist measures resulted in a significant boost to domestic agricultural production and rural income in 70s and 80s. (See Figure.1) However, it planted the seed for the incorporation of Korean agriculture into the upstream and downstream linkages of the global agri-business circuit. (Lee 1999, McMichael and Kim 1994)

Korean diets were significantly reshaped during the second food regime period. Cheap imported wheat competed, part of PL480, directly with domestic food grains such as barley, rice and millet,

² Korea Statistics (2012b) *Farm Household Economy Survey*

traditional staples of the Korean diet. As a consequence Korean wheat imports rose by four times between 1966 and 1977. (McMichael 2000, McMichael and Kim 1994) Expansion of animal protein consumption was another significant dietary change. While annual animal protein consumption per person was only 5.2kg in 1970, it reached 41.1kg in 2011, which in turn negatively affected rice consumption since 1970 (136.4kg/year/person in 1970 71.2kg in 2011). (See Figure 2)

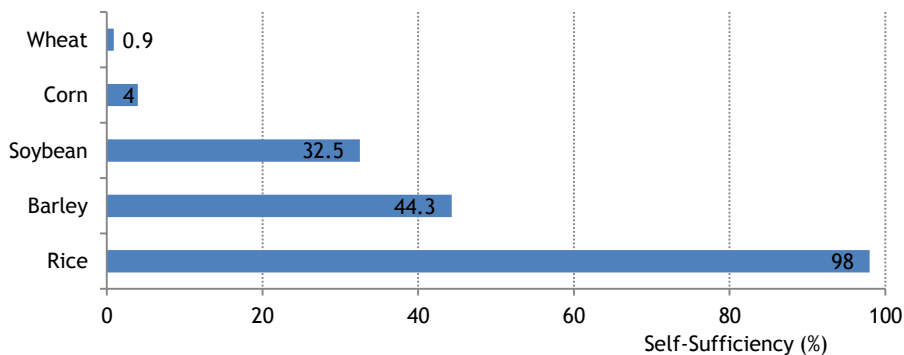
Figure. 2
Korean Rice & Meat Consumption and Wheat Imports during 50 years



source: Statistics Korea³ & KOFMIA⁴

To meet demand commercial livestock farming expanded replacing existing small-scale farmers' subsistence livestock. Accordingly, the increase of meat consumption made Korea's dependence on imported grains such as corn and soybeans increase sharply because of ecological barrier to feedstuff production within the domestic territory. Self-sufficiency of major feed crops declined dramatically. Feed crop dependency and wheat dependency accounts for most of the high food import dependency of Korea. (See Figure 3)

Figure 3
Self-Sufficiency of each food crop in 2009 (unit : %)



Source: MIAFF

³ Statistics Korea (2012c), *Social Indicators of Korea 2011*

⁴ Korea Flour Mills Industrial Association

See http://www.kofmia.org/data/stat_idx05.jsp

At the onset of the second food regime, an egalitarian structure of rural land ownership had been established, but a severe food deficit was caused by the devastation of the Korean War. Therefore, US food aid underwrote post-war political stabilization and economic development. The agricultural sector, now consisting of primarily of independent small scale farm holdings were burdened with heavy taxation and low food prices. Population boom and the lack of economic opportunity in rural areas drove people to the cities thus providing the labor force for industrialization. Towards the end of the second food regime Korean national economic policy began to emphasize domestic self-sufficiency of select agricultural commodities and hence a political prioritization of agricultural development, but food imports kept increasing due to dietary changes most notably meat, dairy and bread. Korean rural development programs managed to increase yields and agricultural output, but the agricultural transformation of the Green Revolution also led to a deeper integration into the world agro-industrial system. South Korean agriculture by the mid-1980's had failed to fundamentally address the structural constraints to food self-sufficiency, but its agricultural system had now been well incorporated into the global food supply chain.

The Third Food Regime Period

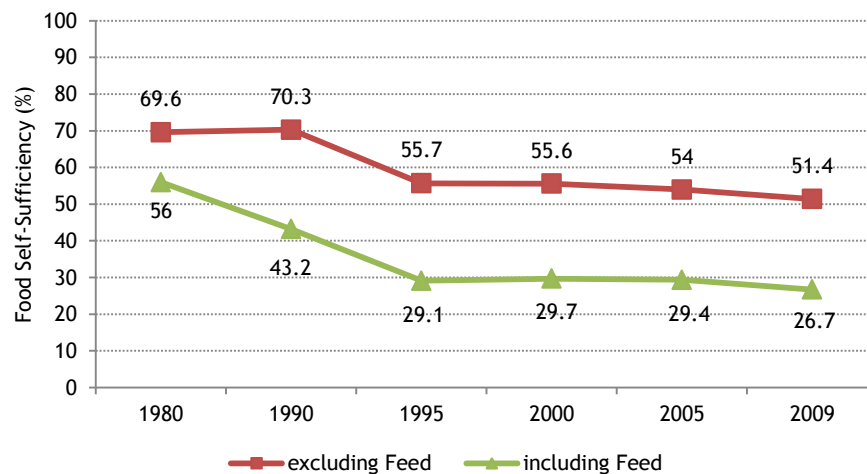
The second food regime was organized around import of US surplus food accumulated by the intensive state- regulating food distribution system and subsequently by national agricultural development based on Green Revolution technologies. The third food regime consolidated agricultural sectors on a world scale with the expansion of key food corporations through the liberalization of international mercantile, industrial and financial circuits in food production. (Friedmann 1998, Campbell 2009) The third regime emerged from the global economic shocks of the 1970s and 1980s ushering in the period of neo-liberal capitalist expansion. In the 1990s the Agreement of Agriculture (AoA) in World Trade Organization (WTO) institutionalized the process of agricultural liberalization and diminution of states' rights (Campbell 2009, Gimenez and Shattuck 2011). Instead of a relatively sovereign national food system in the second food regime combined with food aid imports, the idea of comparative advantage started to govern the global food system in the third food regime (McMichael 1999). That is to say, accelerated restructuring of the international food system to a Liberal Productivist model took its start in the 1980s.

Korea had entered the GATT (General Agreement on Tariffs and Trade) in 1967, but restricted imports of many agricultural commodities important to domestic production such as rice, barley, maize, etc. However beginning in 1978 South Korea gradually liberalized its agricultural sector under pressure from major trading partners as the country began to show significant trade surpluses. Some import restrictions were lifted and tariffs were reduced. South Korea faced a contradictory situation in which large corporate export oriented industries co-existed with a small-scale highly protected farm sector and a relatively undercapitalized food processing industry (OECD, 1999). During the Uruguay Round of the GATT and the AOA of the WTO Korea sought to reduce trade restrictions for important export oriented industries such as heavy manufacturing, electronics, and textiles. However, from the GATT/WTO perspective Korea in return would have to eliminate agricultural protectionism. Otherwise, Korean industrial exports should be subjected to penalties because farm protectionism limited export markets for surplus agricultural producers such as the US and threatened international free trade (McMichael and Kim 1994). As a compromise, Korea relied on a 'bifurcation' strategy, which refers to the subdivision of a heavily protected national circuit of rice while opening up to international commodity relations for

other agro-food circuits such as the livestock complex and processed flour goods (McMichael and Kim 1994).

During four decades of development, South Korea's food self-sufficiency has declined from 90% in 1960s to 70% in 1980s. Today, Korea's self-sufficiency rate including feeds is 26% and if one leaves out rice of the equation, then the self-sufficiency rates for grains drop to 4.6% (Hartsell & Kim, 2010; Korea Rural Economic Institute, 2010; H. Park, 2011a) one of the lowest among all OECD countries. (See Fig.4)

Figure 4
Food Self-Sufficiency of Korea (unit : %)



Source: MIAFF

Together with global liberalization, Korean food self-sufficiency is tightly integrated with the change which started under the second food regime and has continued to significantly alter the Korean food system and the agricultural sector. Increased demands for dairy and meat among an increasingly affluent population encouraged farmers to invest in livestock farming for higher profits. Because of the structure of the agricultural sector with large shares of farm land dedicated to rice production and lack of surplus land for feed production, the expansion of livestock production have had to rely on feed imports as the sector hit an *ecological barrier* (McMichael, 2000) thus incorporating small scale Korean farmers in to the “world farm” through import of corn and soybean (McMichael 2009a). The mixed grain-livestock model of earlier days was replaced by specialized and intensive grain and livestock operations depending on maize and soybean from the global market increasingly dominated by a few large corporations (Friedmann 1998).

Thus, maize and soybean which provide the primary sources of feed for animal production and meat consumption has risen steadily in the past 30 years with dramatic increases of meat demand.(See Fig.2) South Korea is the world's fifth largest grain importer importing more than 13 million tons annually from the global market (Lee 2011b), but even though Korea is one of the largest grain importers, it does not have any strong position in global grain trade and there is another perceived weakness in the Korean food system: geographic and trade volume concentration. Korea is primarily dependent on imports from the US, Australia and Brazil for soybean, wheat, and corn and the trade is controlled by four major trading companies: Cargill, Archer Daniels Midland, Bunge and LDC who make up 56.9% of the total trading volume (H. Park, 2011a). If one includes a handful of Japanese traders such as Mitsubishi and Marubeni, then 79% of total imports of the three major grains are controlled by large foreign trading

companies. South Korea's food supply is thus concentrated on a few number of countries and a few number of companies, which makes Korea highly susceptible to sharp price fluctuations according to the analysis of the Samsung Economic Research Institute, the country's most influential private economic think tank (Chung, 2011). With no large domestic trading firms, stabilizing prices through futures markets and other mechanisms are not available to the Korean government. Low food self-sufficiency and dependence on global grain markets and limited capability for price hedging in the futures market leaves the Korean economy very vulnerable to global market price fluctuations. The impact of rising grain prices on the overall economic performance of the economy and political stability are major worries for Korean policymakers, which can be understandable with below economic data of the food crisis period.

According to OECD inflation statistics, Korean consumer price inflation has been above the average of OECD countries from 2008 to 2011, especially, food price inflation. It has been two to five times higher than the average level except 2008. Food price inflation of Korea was 8.1% in 2011, which is the second highest rank among all OECD countries. (See Table 2) Data of itemized contributions to inflation sourced by the Bank of Korea also shows that food price inflation is an important reason for the higher rates of consumer price inflation. Food price inflation accounted for the largest proportion of consumer price inflation compared to other factors such as manufacturing products and services in 2011 (See Figure 5). Even though weights of manufacturing products and services are much higher than agricultural products in calculation of each item's contribution level, the contribution of agricultural products was very high especially in 2011.

Table 2
Customer Price Inflation (CPI) of Korea and other OECD countries

(Percentage change from previous period, unit : %)

| Country | | Year | | | |
|------------------|---------------------|------|------|------|------|
| | | 2008 | 2009 | 2010 | 2011 |
| South Korea | CPI | 4.7 | 2.8 | 2.9 | 4.0 |
| | CPI-f ¹⁾ | 5.0 | 7.6 | 6.4 | 8.1 |
| Estonia | CPI | 10.4 | -0.1 | 3.0 | 5.0 |
| | CPI-f | 14.2 | -4.0 | 3.0 | 9.7 |
| Island | CPI | 12.7 | 12.0 | 5.4 | 4.0 |
| | CPI-f | 16.0 | 17.5 | 4.2 | 3.8 |
| Japan | CPI | 1.4 | -1.3 | -0.7 | -0.3 |
| | CPI-f | 2.9 | 0.0 | -0.3 | -0.5 |
| Turkey | CPI | 10.4 | 6.3 | 8.6 | 4.0 |
| | CPI-f | 12.8 | 8.0 | 10.6 | 6.2 |
| United States | CPI | 3.8 | -0.4 | 1.6 | 3.2 |
| | CPI-f | 6.4 | 0.5 | 0.3 | 4.8 |
| G7 ²⁾ | CPI | 3.2 | -0.1 | 1.4 | 2.6 |
| | CPI-f | 5.9 | 0.9 | 0.6 | 3.6 |
| OECD Total | CPI | 3.7 | 0.5 | 1.9 | 2.9 |
| | CPI-f | 6.2 | 1.6 | 1.7 | 3.8 |

1) CPI-f means CPI of food

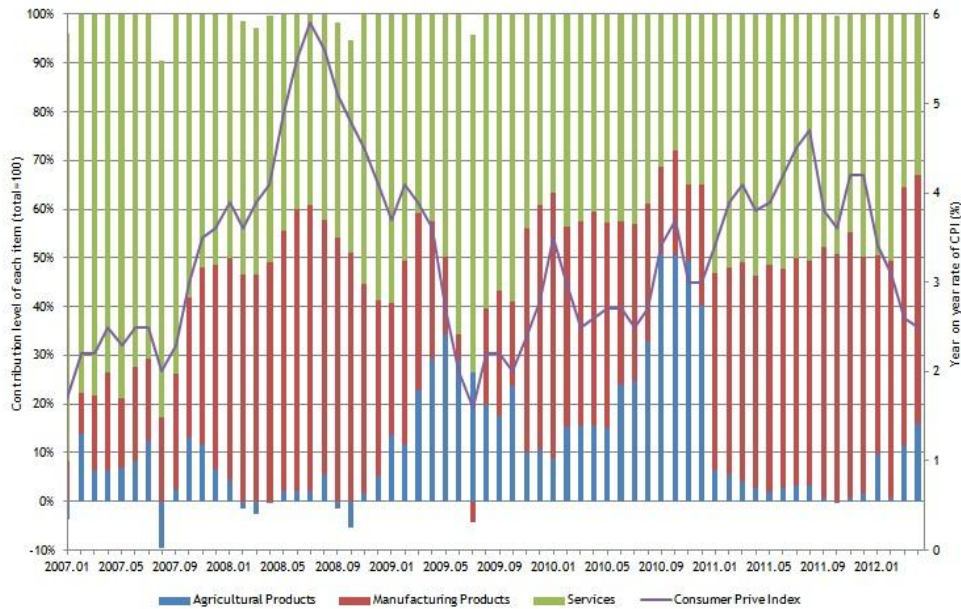
2) G7 includes the countries of Canada, France, Germany, Italy, Japan, UK, and US

Source: OECD.Stat

The Import Price Index (IPI) heavily affected by global raw material price is another indicator of how global food price fluctuation affected Korean food prices by comparing to the pattern of the FAO

Food Price Index (FPI). Korean IPI was already 136 in 2008, but since the second half of 2010, IPI even increased to higher than 2008. Food IPI of Korea is more serious, which is higher than Korean total IPI and a bit lower than FAO FPI. FAO FPI in 2011 was higher than the highlight moment of 2008 when it hits 224. Korean IPI of 2011 also hit 164, which was even higher than 143 of 2008. (See Figure 6) Korea survived the 2008 food crisis without severe economic consequences, but the government became concerned about the fact that high food dependency can cause serious inflation in the long run. Food price increases can affect price stabilization of the national economy, and hence have serious impact on national economic strategy. Therefore, the Korean government needed to find solutions to long-term instability in the global food markets⁵.

Figure 5
Consumer Price Inflation (CPI) of Korea and Degree of Contribution of Each Item

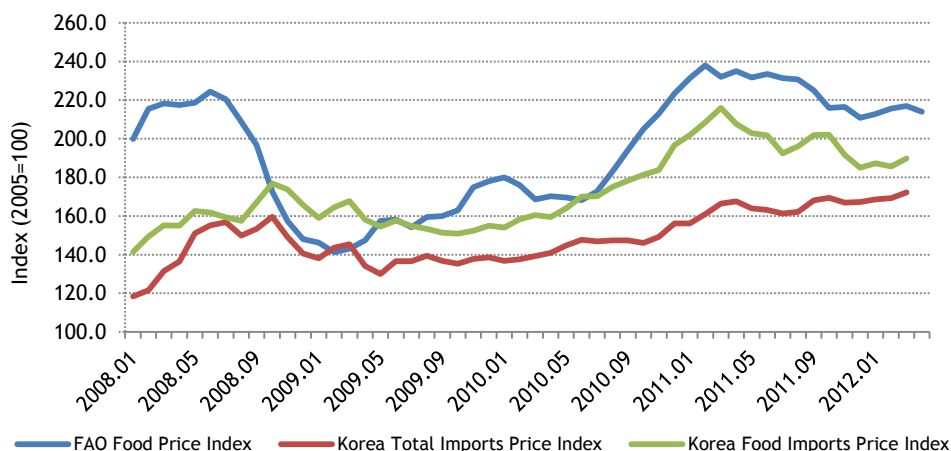


Source: ECOS⁶

⁵ Japan, which is similar to Korea in terms of population density, geographic environment for cultivation, agricultural structure, and dietary life, embarked on intensive investment in global grain trading business in mid 80s. They focused on securing grain collectors, storage facilities or elevators near ports in USA. Through this process, Japanese trading TNCs such as Marubei, Itochu, Mitsui, and Mitsubishi, successfully entered the global grain trade business. As a result, even though Japan also highly relies on food imports, it is estimated that they feed themselves reliably by their own channel away from the influence of major grain traders. (Kim 2010b) This Japanese model is recommended to Korea by many opinion leaders after the food crisis.

⁶ ECOS is Economic Statistics System served by Bank of Korea
 See <http://ecos.bok.or.kr/>

Figure 6
Global and Korean Imports Price Index (IPI) during recent 5 years



Source: FAO⁷ & ECOS

The sense of crisis over low food self-sufficiency and food insecurity caused by fluctuating world grain prices are fundamental reasons for the Korean government's renewed interest in actively promoting overseas agricultural investment as part of national food security policy. Overseas agricultural investment is a pathway to address the dependence on food imports.

Assessing the government's choice of overseas agricultural development

The situation for the farm sector worsened under the liberalization of agricultural markets while dependence on the international circuit of grains was deepened. Universalized world food price under the corporate food regime through liberalization governs the global food market and, further, overall agro-food system. Artificially price-controlled external cheap food has intensified the regression of domestic agricultural sector of Korea whose agricultural production cost is relatively high. The opening of markets led to reduced income levels and higher indebtedness (Korea Rural Economic Institute, 2010 p. 40). Since 1995 farm household debt increased by 300 percent while farm household income only increased by 50%. In 1995 urban household income was only slightly higher than rural income, but by 2009 farm household income was only 60% of urban household income (Korea Rural Economic Institute, 2010, p. 103). These combined factors have led to low investments in diversifying and improving the economic conditions of the agricultural sector.

Because of the law of land with ownership ceiling and high land price, there are limits to consolidation. Thus, the majority of Korean farms are small scale family farms, and high cost of agricultural production is also unavoidable. These conditions are unfavorable in terms of 'scale of economy' (McMichael 2000). Under the liberalization of the agricultural sector large food corporations are given more power. Reduced state protection as a consequence of the liberalization, further deteriorates the competitiveness of small farmers and renders farmers vulnerable to dispossession. This vicious cycle is a consequence of both global and national policy decisions. After four decades under the food regimes governed by First world capital, many developing and emerging economies, including

⁷ See <http://www.fao.org/worldfoodsituation/wfs-home/foodpricesindex/en/>

South Korea, are heavily dependent on the global market for basic food and grains. As Gimenez and Shattuck mentioned, *'Such systemic vulnerability is a product of overproduction and Northern food aid, international finance institutions, structural adjustment, free trade agreements, green revolution farming models, and a broader divestment of the state from agricultural development.'* (Gimenez and Shattuck, 2011) The risk of collapse of the small scale farming sector in Korea is a serious concern further deteriorating the capacity for domestic food production.

One major question this leads to is why the government has decided on overseas agricultural expansion and trade strategy rather than seeking to boost domestic production? The explanation appears to be that the offshore food production strategy was chosen rather than a painful and politically sensitive internal agricultural adjustment, which is rendered even more problematic given the country's position in the global economy in which industrial export is the cornerstone of the Korean economy. Priority is given to industrial sectors while the agricultural sector with its small contribution to GDP is underfunded and deprioritized. Nevertheless, the strategy still seeks to put control over Korea's food supply into Korean hands, however not the hands of farmers, but in the hands of domestic companies and corporations. The strategy thus seems to be based on a political consideration of minimizing social conflicts and political burden in a hotly contested climate between farmers and the government due to farmer discontent over trade liberalization and free trade agreements. The external solution is politically more appealing to the government than other solutions⁸ such as land reclamation projects, adopting GMOs, farmland reform, reprioritizing farm crop structures, privatization of agricultural sector for conglomerates and so on.

The 2007-08 global food crisis highlighted a vulnerability in the Korean economic model: Subordination of agriculture and food policy to industrial development policy. As long as food could be acquired overseas relatively cheap either through food aid or through market liberalization, it underwrote the economic development agenda of several governments focused on supporting export industries. The past 20 years of agricultural liberalization in Korea, rezoning of agricultural land for other purposes, and changing dietary preferences have had significant impacts on domestic agriculture's ability to supply food thus strengthening the dependence on food imports. Diagnosing the causes of such vulnerability to a large extent was focused on external factors such as a lack of large domestic commodities trading firms and lack of mechanisms for price hedging in global markets. Domestically the major reason for low food self-sufficiency was ascribed to lack of land. According to government calculations, Korea needs 5.5 million ha which is bigger than three times of present Korean arable land to achieve 100% food self sufficiency. At least, 1.6m ha is necessary to achieve 32% food self-sufficiency Korean government has recently announced that the aim of achievement of food self-sufficiency is an increase up to 32% until 2020. However the discussion of domestic land restrictions is only part of the picture. The total farm land area in 2010 was 1,759 million hectares or 17.6% of domestic land. Thus the cultivated area per capita is only 0.04 hectares (about 0.53ha per farmer), one of the lowest in the world. Part of the reason for the low acreage under cultivation is the topography of the peninsular dominated by mountain ranges transected by river valleys in which most farming takes place. However natural limitations to farming is only a partial picture According to the Ministry of Food, Agriculture, Forestry and Fisheries farm land has decreased by 437,000 hectares since 1980 (The Hankyoreh, 2009). Meanwhile, the total land area of South Korea has increased to 9,983 million hectares in 2009 compared to 9,848 million hectares in 1971, an increase of 135,000 hectares. The decrease in farmland can be explained by the deterioration of domestic agriculture regarding opening market on one hand (Korea Rural Economic Institute, 2010), but also by changing zoning laws and changes in priorities in land use policies favoring urbanization and industrial zoning rather than agricultural production. So while many mainstream experts argue that external development is necessary because modification of the existing

⁸ It concerns 'scale of economy' rather than 'food sovereignty' focusing on scale farmers.

domestic land use and agricultural policies such as utilization of unused land or increase productivity is only a limited solution to high food dependency, there seems to be a lack of critical engagement with how domestic political priorities for land use have continuously damaged the capacity of domestic food production.

However, by limiting the main causes of the food crisis to ecological limits and global factors, policies could be directed in specific ways that do not seriously question the path of economic development. The structural vulnerability could be solved by devising the same methods used in industrial development for decades. A combination of the government setting targets for certain sectors directing domestic firms towards these new sectors through financial encouragement and by providing various kinds of technical services. In this way, the sense of crisis led to a response by the government that fits its political agenda of creating new growth industries while not having to address the more sensitive political issue of agricultural reforms. In this sense, the food crisis enabled and legitimized an overseas agricultural policy that may have otherwise been contentious. Compared with the internal strategy, the external strategy causes much less ecological or social conflicts. In addition, the majority of Korean policy makers think that high price and shortage of land and labor are big obstacles to cover up demand for food in the existing system. In practice, this strategy is supported by many in Korea including main academics, private companies, media, general urban people suffered by high inflation, and even domestic farmers, especially, suffered by high grain forage price. While Korean strategy is blamed as 'Land grabbing' internationally, most Koreans do not have any awareness of overseas farming. For example, the Madagascar incident was rarely reported in Korea because few media or organizations were concerned about it (A GRAIN video, 2008).

The crisis also enabled what can be potentially a shift in the relations of production within the domestic food sector. Unlike many sectors of the Korean economy, food and agriculture is still made up by small-scale farmers, small-scale retailers and state controlled companies and cooperatives, thus the dominance of industrial conglomerates such as Samsung, Hyundai, etc. has been rather limited up until this day. The overseas trade and agricultural development policy expands government-conglomerate relations to the agricultural sector. Secondly the policy relies on territorial expansion of the Korean food system within the domain of corporate control. Irina Hofman and Peter Ho term this "developmental outsourcing". Developmental outsourcing refers to "...*global off-shoring in which the state plays a key role in planning, intervention and regulation*" (Hofman & Ho, 2012:37). Hofman and Ho are writing about China, but we think it is useful to think in similar terms about the Korean government's response to the food crisis without implying that the methods or motivations are necessarily similar. Government food security policy can easily be integrated with interests of domestic private actors who see lucrative new business opportunities in overseas agricultural production. We will turn to how the government seeks to achieve its targets for food security through overseas agricultural development below in close collaboration with domestic firms below.

Analysis of State-Company Relations in Overseas Agricultural Development

In the case of South Korea, state funds and state companies play primarily supporting roles as we will explore below. Nonetheless, the role of government in giving birth to upstart industries shares similarities to past efforts to establish Korean industrial sectors in a global market. Theoretically in our analysis we rely on Peter Evans' concept of "embedded autonomy". This approach seeks to structure our analysis of how the Korean government is seeking to "give birth" to new domestic industries on one hand while furthering political objectives on the other. Peter Evans' (1995) uses the terms

'Custodian/Demiurge' and 'Midwifery/Husbandry' to describe the direct and indirect role that states can play in supporting private sectors. Direct 'Custodian/Demiurge' role(s) can describe the initial phase of the plan while a relatively indirect 'Midwifery/Husbandry' role can describe the strategy that the state pursues in the long term. The role of 'Custodian' means conventional role as a regulator. Some roles are primarily promotional. Their aim is provision of stimulus and incentives. The rubric of 'Custodian' is characterized as regulatory efforts which give private actors a privilege for promotion rather than impose a restriction. The role of 'Demiurge' means a role of producer, taking direct responsibility for delivering certain types of goods and services. This role is based on a stronger assumption about the ability of private capital to sustain the production necessary for successful development. Playing the role of 'Midwife' is also a response to doubts about private actors. It is thought that the capacity of the domestic entrepreneurial class is malleable, not given. But, instead of substituting private producers as in the demiurge role, the state tries to assist new entrepreneurial groups or to induce existing groups to venture into more challenging business sectors by using a variety of techniques and policies. Thus, this type of role is relatively indirect compared to the Custodian/Demiurge roles. 'Husbandry' role consists of cajoling and assisting private actors in the hope that private actors meet challenges. This is the most indirect role. Like 'Midwifery' role, it can take a variety of ways from simply signal to market to setting up complex state organizations in order to take over risky tasks such as R&D (Evans, 1995).

Overseas food production including food commodities trading are infant industries in South Korea despite being the fifth largest food importer in the world, and thus the sector has much in common with the manufacturing industries of the 60s-70s. Most Korean private actors engaging in offshore food production only have fragmentary experience and lack of know-how compared to leading agricultural TNCs.

To organize a more concerted effort to address what the government sees as major weaknesses in the Korean food system, the government announced its ten year comprehensive plan for overseas agricultural development in June 2008. The ten year plan was established to provide a framework for supporting overseas agricultural development by setting up a policy framework for increasing food security. Gaining greater control over overseas agricultural production and trade is central to the government's strategy. In an interview with the newspaper Korea Herald, Senior Researcher Kim Yong-Taek explains the perceived weakness of Korea's food system: "*We have long lacked a control system for agricultural commodities. Despite tough conditions surrounding the issue, it's a timely decision given the necessity and a global trend.*" (Hyon-hee, 2011). The government's strategy for gaining greater control of overseas markets and production has two major components: 1. Establishment of overseas trading companies who can secure commodities and stabilize prices through the futures market and 2. Support overseas agricultural production, processing and logistics.

The first part of the strategy is to set up agricultural trading firms in key markets. The first firm was set up in 2009 in Chicago, the site of the Chicago Board of Trade, the single most important exchange for trading in agricultural commodities in the world. The firm was established by the state-run Korea Agro-Fisheries Trade Corp in cooperation with Samsung C&T, CJ Cheil Jedang Corp., STX Corp. and Hanjin Transportation Co., Ltd that are heavyweight conglomerates in logistics and trade. The firm plans to initially invest 45 million USD and up to 240 million USD over a 10 year period with the partners. The target is to supply up 30% of Korea's grain needs through this partnership. Establishing a firm in Chicago should allow Korea to improve utilization of futures markets to secure stabilization of grain prices and reduce risk exposure (H. Park, 2011b). The government is currently considering setting up similar trading firms in key markets such as Brazil, Russia and Ukraine. This part of the strategy seem to more in line with a custodian/demiurge role in which the government plays a direct role in setting up overseas grain trading operations. Despite the involvement of four Korean conglomerates, the government retains a majority share in the company. However, it may be politically costly for the state to play a role of

Custodian and Demiurge permanently. And it makes the state capacity wasted and let the state in a poor position to initiate ‘Husbandry’ program which sustains the industries that it helped create (Evans, 1995). So while the Korean government or other public authorities have been engaging in offshore agricultural investments directly through public organizations or state-owned companies, it is trying to focus more on indirect ‘Midwife’, in hence, ‘Husbandry’ role rather than direct ‘Demiurge’ role.

Table 3
Application of ‘Embedded Autonomy’ (Evans, 1995) applied to Foreign Agricultural Investments

| | Term | Definition | Application to Foreign Agricultural Investment |
|----------|-----------|---|--|
| Direct | Custodian | - Role of regulator Giving privilege for promotion | - Offshore food production is an ‘infant’ industry for South Korea |
| | Demiurge | - Role of producer Taking direct responsibility for delivering certain types of goods and services | - Politically costly and wasting state capacity |
| Indirect | Midwifery | - State assisting or inducing private actors to venture into more challenging business | - Old actors having experience and know-how |
| | Husbandry | - Cajoling and assisting private actors to meet challenges by simple signaling to R&D | - States easily shift to supporting role called ‘Husbandry’ |

This is evident in the second component of the strategy, which seeks to secure overseas food production, logistics, processing and marketing. It is also this strategy that is most relevant to the discussion about land grabbing. For this purpose the government has provided a budget of 197 million USD between 2007 and 2011 for loans to Korean companies (Ministry for Food Agriculture Forestry and Fisheries, 2012). The target is to secure 385,000 hectares of overseas farmland by 2018 producing 1.8 million tons of wheat, corn and soybeans (S. Park, 2011). This amounts to approximately 10% of total grain imports. As a condition for granting the loan, companies are required to bring certain amounts of their products back to Korea at the government’s request in case of food emergencies. When this clause will be put into effect is still uncertain. The strategy was revised in 2011 and the ‘Overseas Agricultural Development Promotion Act’ was enforced in January, 2012. Based on this law, several actions will be taken for more effective overseas food production. Firstly, the existing ‘10-year Comprehensive Plan for Overseas Agricultural Development Plan’ will be implemented for more systemic supports. Secondly, the ‘Council of Overseas Agricultural Development’ whose chair is the vice minister of MIFAFF will be established to conduct related policies and projects. Thirdly, the ‘Association of Overseas Agricultural Development’, a private industry association was organized in the spring of 2012 with the support of the Korea Rural Community Corporation (KRC)⁹. Information gathering and analysis, environment research,

⁹ KRC is a state owned company under the Ministry for Food, Agriculture, Forestry and Fisheries. The company’s main area of activity is rural infrastructure development. The company has operated overseas cooperation activities for decades and is the main implementing agency for the overseas agricultural development program.

and manpower training can be conducted through the association. Lastly, forming specialized funds in overseas agricultural investment can be possible based on this law.

At the end of 2011, 85 projects in 20 different countries were being conducted. 42,300 hectares of farmland had been leased or required and 171,000 tons of wheat, corn and beans had been produced (Ministry for Food Agriculture Forestry and Fisheries, 2012). Regions where Korean companies invested are mainly Central Asia and Southeast Asia. According to OADS data, 74 among total 85 declared overseas agricultural investments by Korean companies¹⁰ are concentrated in Asian countries. (See Map 1 and Figure 7) Only one investment case in Africa has been reported yet, which is the most symbolic incident of Korea as ‘global land grabber’, the land deal by Daewoo in Madagascar (Korea Overseas Agricultural Development Service, 2012). Korean companies seem to prefer regional investments closer to home for logistical reasons. According to OADS, more than 65% of all declared private investors produce grain such as maize, wheat, and soybean, main importing food or feedstock of Korea.

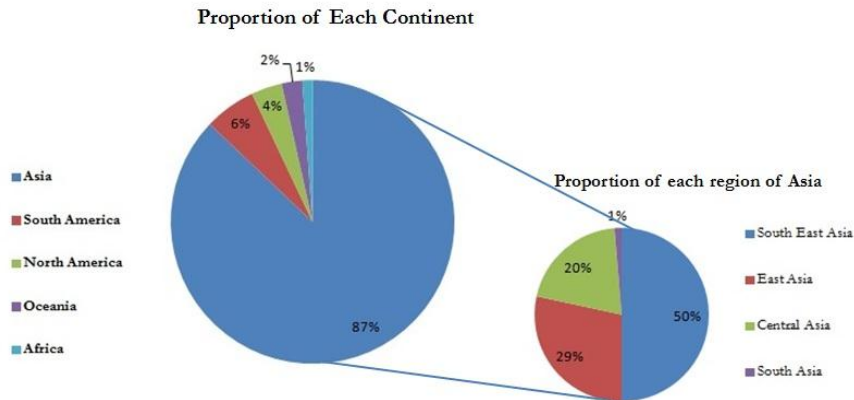
Map 1
Status of Offshore Agricultural Investment of Korea (2012.5)
: Number of Investing Companies in Each countries



Source: OADS database

¹⁰ Every Korean private and public company who makes overseas agricultural investment has to report it to the government at raw. Thus, the data reported to OADS includes all Korean companies who have completed negotiations and made actual investment in host countries.

Figure 7
Regional Proportion of Offshore Agricultural Investment of Korea



Source: OADS database

The main agency for implementation of overseas support services is the Overseas Agricultural Development Service (OADS), a division under KRC operating under a mandate from MIFAFF. OADS is a total support system for private enterprises who want to invest the business related to offshore food production. Overseas agricultural development loan is the primary financial incentive promoted by the government to encourage private sector engagement. The loan provides low interest loans (2-3%) repayable over 10 years with a 5 year grace period¹¹. In return for these loans, companies are obliged to make their crops available to the Korean government in case of food shortages or food crisis. The terms of when these demand step into effect is still unclear as overseas production is still quite limited. OADS also provides customized surveys for companies granted loans. Survey services include analysis on investment environments in destination countries, agricultural and rural infrastructure surveys, etc. OADS is also in charge of conducting annual site visits for the overseas projects having received government loans to assist companies in enhancing agricultural productivity. Thus while the agricultural operations themselves are entirely on private hands, government involvement is evident in every stage of the operations. From pre-screening and site valuation, over training and technical assistance to company staffs to evaluation, state companies and state institutions are involved in “nursing” companies.

So while the Korean government or other public authorities have been engaging in offshore agricultural investments directly through public organizations or state-owned companies, it is trying to more focus on indirect role initially as ‘Midwife’ aiming towards a ‘Husbandry’ role rather than direct ‘Demiurge’. In reality, while it was reported that new foreign agricultural investors from developing countries mainly are governments or state enterprises or state funds respectively so far, it is expected that private actors will be main investors like developed economies (Cuffaro and Hallam 2011).

In addition to development of private actors’ capability, coping with international criticism is also a concern. Direct participation of the government can lead to international criticism. Until now, Korean government has been quite indifferent to international discussion about foreign agricultural investment most likely also because it has received little attention in the domestic political debate. It is expected

¹¹ In the initial 10 year overseas agricultural development plan, the grace period was 3 years and the repayment period was 7 years. The loan terms were changed in 2012 to allow companies more time to establish their businesses.

that with the suggested Code of Conduct for Foreign Land Investment will influence Korean offshore agricultural investment directly and indirectly. Already now it is being suggested that the fact that private corporations are main actors in offshore agricultural investments, especially ones including land acquisition should be emphasized internationally. In this way, the government plays a direct supporting role, while at the same time seeking to distance itself from potentially bad press, by “privatizing” overseas agricultural development. For this privatization, the way of developed countries’ states that rarely spearhead offshore food production promotion is a role model. For example, Japanese government has been publicizing actively that there is no public policy on offshore agricultural investment promotion, but that private corporations are main actors. Such strategy makes it possible the government to evade international criticism by moving delegating activities to private corporations who have relatively less responsibility in the international society (Kim 2010a).

The government is also seeking to reduce criticism and opposition in host countries by providing more comprehensive packages. Overseas agricultural development is sought to be integrated with other aspects of Korean overseas relations. The government seeks to strengthen linkages between ODA (Overseas Development Assistance) projects and private corporations’ investments to reduce potential local resistance and establish friendly relations with host countries as well as raise the rate of success. Offshore agricultural investments, especially more direct form of investments for food production, are long-term, low profit, and high risk projects. Thus, to reduce its risk, the cooperation with ODA institutions which emphasize public interest, non-profitability, technology transfer, and knowledge dissemination is being tried out. The Korean government is willing to facilitate linkage of ODA and private investment through sharing know-how accumulated by ODA and strengthening partnership with private actors.

The Rural Development Administration (RDA) is another public organization who is actively conducting agricultural ODA projects in the advance guard. It aims to provide local technical support including cultivation, seed breeding, machinery by accumulating know-how and establishing favourable relationship with host countries through ODA projects. 15 technical supports centers¹² have been established in host countries since 2009 for this purpose. It conducts projects including customized technical transfer, agricultural resource development, training program, construction infra structure, etc. For example, anti-pest mung beans seed breeding project in Myanmar, customized vegetable cultivation facility construction project in Vietnam, and corn seed breeding project in Cambodia are ongoing. (Hong 2011)

So far small and middle size corporations are main participates in overseas agricultural development. But, participation of large-size Korean TNCs is expected to increase not only in overseas production, but also activities higher in the value chain. The government hopes that as know-how is accumulated, Korean private actors will change their investment to more profitable advanced form in longer-term. Korean agricultural investments at the moment are mainly direct form which has tight partnership with the government, but indirect form of engagement is increasing as large capital’s investment increase. Thus, Korean overseas agricultural investment is in a dynamic transitional stage at the moment where mixed forms coexist.

To conclude, the overseas agricultural development strategy of the government shows clear resemblances to previous eras of industrial development in Korea. This strategy on one hand is pragmatic in allowing the government to achieve political goals through private industry development

¹² Overseas agricultural technical center, called KOPIA(Korea Project On International Agriculture) , are located in Asia(Vietnam, Myanmar, Cambodia, the Philippines, Thailand, Sri Lanka), CIS & South America (Uzbekistan, Paraguay, Brazil, Bolivia, Ecuador), and Africa(Kenya, DR Congo, Algeria, Ethiopia). RDA assigns 1 professional senior researcher and 4-10 young interns to the job per center.

that also allows companies to enter into new market segments. In doing so, the government relies on well-proven techniques for midwifing and husbanding private sector investment behaviour reminiscent of developmental state strategies. Secondly the strategy also builds on still-existing tight government – private industry relations a key aspect of Korean economic development policy for many decades. This model is also ideologically coherent with the present government’s economic development agenda in other sectors of the economy and its target of opening up new global growth sectors to Korean companies. State influence is evident in almost every aspect at the current stage of the strategy. From funding, to technical assistance and even the private industry organization was established and run primarily by state company employees, but the overall goal for the government is to establish a competitive new industrial sector that can stand more on its own. By gradually handing over responsibility to private actors, the government also wishes to reduce exposure to international criticism. The overseas agricultural development strategy is also seeing an increasingly integration with overseas development assistance institutions such as Korea International Cooperation Agency (KOICA), the Export-Import Bank of Korea (EXIM) and RDA. Integration with ODA serves the purpose of providing more comprehensive packages of support to host countries that can reduce risk and facilitate cooperation and hence increase success rates.

Conclusion: Overseas agricultural expansion: Deepening the corporate food regime?

While the foreign investment in agriculture has stagnated for decades, it was reversed by the recent food crisis as momentum. Foreign direct investment in agriculture including investment in land possession has become to increase again after the colonial era. Especially, large-scale direct investments in farmland which exert a strong influence on local people in host countries are catching worldwide attentions of so-called ‘Land Grabbing’ or ‘Land Acquisition’ issue. In this paper we have argued that most investments still come from “old” actors and well established companies. Among the new actors, one group of national governments have entered foreign agricultural investments for security concerns among those South Korea. Unlike reports by media and some NGO’s, South Korea is not a major player in overseas agricultural investment. Rather it seems that South Korean activity has been grossly overestimated in some reports. It is unlikely that new actors such as South Korea will enact a fundamental transition of existing structures of the global agro-food system dominated by a few TNC’s headquartered in Europe and the US. Similarly, the assumption that these new investors are responding to a sudden challenge is far from being correct.

South Korea’s overseas agricultural activities should be seen in a broader historical perspective of political economy. Food import dependence and the post-colonial development project are integrated. In this paper we seek to analyze South Korea food import dependence in a broader world historical perspective of food regimes. Import dependence is not simply a question of ecological boundaries and an inefficient farming sector. It is a deeply political outcome closely tied to Japanese colonialism, US Cold War hegemony, industrial development, and post-development neo-liberal globalization. Food security has been an ongoing concern for succeeding Korean governments since the end of Japanese colonization. Initially poverty and hunger were main concerns, but with industrialization, cheap food became an essential part of keeping production costs low. Both hunger and industrialization policies led to heavy dependence on US food aid in the first two decades after the Korean War. Subsequently, introduction of Green Revolution programs further deepened Korea’s incorporation in to the world food system. With the gradual phasing out of state protectionist measures of agriculture by the mid-1980’s and subsequent trade liberalization has had severe impacts on Korea’s food self-sufficiency. Free trade

agreements, both multilateral and bilateral, have led to further deterioration of the domestic farm sector's ability to produce food. Since the early 1990's succeeding governments have "sacrificed" domestic agriculture in trade negotiations intended to support the industrial export sectors. These policies in turn have deepened Korea's dependence on the corporate food regime to sustain its food needs.

The 2007-08 food crisis signaled a potential end to cheap food imports to much concern for the Korean government. The structural vulnerability of South Korea's food system became evident. With no control over global commodities trade and limited domestic capacity for food production, the government has taken measures to support Korean companies in establishing overseas trade and food production. On the other hand no similar measures have been taken to boost domestic production, which would require painful structural adjustments to the agricultural sector, something that the government may not be willing to do due to political considerations. Public support for overseas agriculture has resemblances to methods of "nursing" or "husbanding" infant industries recognized from earlier eras of industrial development. Korean companies have very limited experience in overseas agriculture and food commodities trade. Support policies are therefore established to "nudge" Korean companies into entering a sector of political interest to the government. Overseas agricultural development also overlaps with overseas development assistance programs and the boundaries are not very clear. Strategic political and economic interests in access to resources is thus another component of Korean overseas agricultural development as is the case for other food insecure but capital rich emerging economies.

Ultimately, the target for the program is the establishment of a strong position of private sector actors in regional and global food systems that the government can tap into during food shortage emergencies. Korean strategy of the overseas agricultural development, if successful, will secure food production and trade in the hands of Korean companies. Many have speculated in whether this emergence of new investors will fundamentally change the global food system. The ambition is more likely to copy the Japanese model in which a few large agricultural companies have vertically integrated operations that may operate globally, but its market is primarily domestic. This does not mean that critical engagement with South Korea's choice of strategy should not be undertaken. It is highly needed. So far little to no research inside or outside Korea has been done. In this paper we have sought to eliminate some of the mysticism that has surrounded Korean investments. They are neither as large or ambitious as presented in media and NGO reports. Korean investments are still at a very early stage with a steep learning curve ahead and there is still much to be learned about the individual investments and the linkages between overseas agricultural development and domestic agriculture.

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