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Hyundai Heavy's Land Deal Smells of Politics

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By Kim Yoo-chul
Staff Reporter

Hyundai Heavy Industries — the world's biggest shipyard — has bought a big tract of Russian farmland in one of the latest diversification moves by Korean firms.



Chung Mong-joon

But here's a question: Have performance- and profit-obsessed Hyundai Vice Chairman Min Gye-sik and its CEO Choi Kil-seon voluntarily decided on the move or has the company's biggest stakeholder pushed for the plan?

"I don't think either Min or Choi gave such a direction. Chung Mong-joon, the major shareholder, has been behind the scenes in striking the deal," a high-ranking executive told The Korea Times, Wednesday.

"Min and Choi don't have any previous track record in running farm-related businesses," according to the executive.

Chung, a lawmaker of the ruling Grand National Party (GNP), is an avid supporter of President Lee Myung-bak in his push for resources diplomacy, political analysts and Hyundai officials said. Lee was CEO of Hyundai Engineering and Construction, which was the flagship of the Hyundai Group founded by the late tycoon and Chung's father, Ju-yung. Hyundai Engineering is now under the control of creditors.

"President Lee has consistently reiterated a strong necessity to secure stable food resources in countries like Russia. Without a strong push by Chung, it would be impossible to buy the land," another source said.

Hyundai spokesman Kim Kwang-kook declined to comment about the remarks.

The shipbuilder's cash-equivalent assets reached some three trillion won as of the end of March, according to company officials.

The value of the contracts it won in the first two months of this year has dived 85 percent from the same period last year, as demand for new ships is sinking — a result of the global financial crisis which is making it difficult for clients to raise funds to place new orders.

"The land purchase was a political decision. The money can be used for a better purpose," an analyst said.

Other analysts have well echoed such worries by saying Hyundai needs to put more focus on its traditional cash-cows."

Hyundai agreed to buy a 67.6 percent stake in Khorol Zerno, the owner and operator of 10,000 hectares of farmland in Russia's Far East, for \$6.5 million.

The company added it would invest another \$9 million to buy additional 40,000 hectares to expand the farmland to 50,000

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``We are in the process of securing more land in Russia," Hyundai's Kim said, adding crops such as corn and beans will be imported to Korea and exported to other countries.

In 2008, Korea's Daewoo Logistics had initially won an approval from the Madagascar government to lease 1.3 million hectares of farmland — half the size of Belgium. But the deal was later revoked.

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