

## Actual Situation of Regional Brands and Possibilities of Regional Agricultural Clusters in Korea

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For implementation of the WTO Agricultural Agreement, Korea had to open the domestic agricultural product market and at the same time reduce domestic subsidies. The main points of domestic measures in preparation for the above were to take measures to produce differentiated domestic agricultural products that compare favorably with cheap imported agricultural products and to make a significant shift from the conventional agricultural policies that had focused on border measures and price policies for respective products to rural area policies. Moreover, in recent years, the food product industry is broadly included in the area covered by agricultural policies for the collaboration of agricultural and food product industries. Thus, as a measure for the differentiation of domestic agricultural products, the marketing standards have been developed (development of quality and safety standards; various certification and labeling systems) and at the same time branding of agricultural products has been promoted, using policy measures. In contrast, policies targeting the rural areas and the food product industry include support for the formation of regional agricultural clusters that aim at the positive development of agricultural/rural-related businesses that include, among others, the food processing industry, taking advantage of local specialties, and green tourism.

This report regards local agricultural clusters as a major rural area policy target and explores their possibilities. The focus is particularly on the relationship between local brands and food product industry clusters. This is because of the characteristic of Korean rural areas having extremely few factors capable of attracting the accumulation and cooperation of related industries, that is, the existence of local resources and related/support industries in particular, which can be mentioned as a prerequisite for cluster formation. In other words, I believe that if a certain brand asset has already been established concerning a local agricultural or any other brand the relevant region possesses, the possibility of formation of an innovative industrial cluster will gradually increase as the possibility of creation of new business will increase related to the expansion of the relevant brand product line or that of a brand in the same category, development of a derived brand, and provision of a relevant service.

The efforts of forward-looking local agricultural clusters in Korea commonly involve activities to develop, as a local brand, fresh agricultural products that have been widely known to people for centuries and traditional food products or traditional cuisine made by processing the above fresh products and to newly establish a company of related products or services. As long as examples such as those above are concerned, however, there are many cases where the integration tends to be forward-directed from the producer side (upstream) to the processing/selling businesses (downstream) and where innovation dynamics, which work as the largest benefit of corporate accumulation in the formation of industrial clusters, is lacking. The above reflects the actual situation that innovative companies or R&D institutions do not widely exist in the peripheral regions of Korea.

This report understands the state that innovative activities that connect complementary companies are concentrated in a certain region as a cluster and discusses the framework of a local agricultural cluster, whose innovative activities are part of the management system of a local brand.

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