

Geographical indications (GIs) – A tool for taking opportunities

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Opportunities and current challenges: what GIs are all about

Whether we are talking about sports, art, music, or doing business, people everywhere depend on having the right tools at hand. They enable us to develop our talents. The right ones also help us reward ourselves for our training and hard work. Geographical indications (GIs) are such tools. To date, they have proven themselves to be successful in many social and economic areas. However, they could do even better. This is why it is essential to further develop their legal framework in order to grant all potential GI products the same protection currently granted internationally to wines and spirits. Policymakers should therefore take responsibility by providing people and businesses with the right tools to be successful in a globalised economy.

Relationship between GIs and trade marks

A trade mark (TM) must be distinctive; that is to say, it must allow the public to distinguish the goods or services from one producer or provider – the TM owner – to the goods or services from all other producers or providers in the same class of goods or services.

In contrast, the right to use a GI must be granted to any producer from a specific region who complies with the product's specifications. For that reason, the product's specifications cannot be defined independently by one single producer; nor even by an association of producers. Instead, the requirements defined for using a GI must result from an all-inclusive public procedure that allows all potential stakeholders to raise their views. This is the very difference in nature between GIs and TMs: GIs are collective (group) rights, whereas TMs are individual (exclusive) rights.

TMs and GIs are complementary rather than contradictory, as long as the TM still fulfils its function of distinguishing the goods (those benefiting from a GI as well as those not benefiting from a GI) provided by one producer.

Economic reasoning for GIs

Markets are often characterised by asymmetric information. In the case of intangibles, markets also suffer from the threat of free riders. GIs can potentially overcome both of these potential market failures and consequently, can make markets more efficient. This benefits consumers and producers alike.

As GIs are collectively owned, producers share the benefits as well as the costs of GIs. Cost-sharing has several important advantages: for example, the costs that are necessary for defending against IPR infringers are reduced for a single producer. This makes prosecution more feasible, markets more efficient, and also creates additional incentives for investing in quality and reputation.

At the same time, GIs build consumer trust. They guarantee that the indicated origin is correct and the production guidelines have been respected. GIs therefore create a credible signal to consumers about the product's quality, thus reducing consumers' asymmetric information problem. As a result, consumers are more willing to trust that "what you buy is actually what was promised". Consequently, their willingness to pay can increase and trade opportunities to foreign markets can open up. All of this is especially relevant considering that in an increasingly globalised market, consumers can have strong

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references towards regional products². GIs, as a high-level type of indication of source, are a credible signal in this context³.

What we know about GIs

In Switzerland, aggregate GI sales of 33 Swiss GIs amounted to around 1.3 billion Swiss francs in 2016 (i.e. around 1.2 billion euros). This figure corresponded to around 11% of total agricultural output⁴. The situation in the European Union (EU) is similar: GI sales accounted for around 54 billion euros in 2010 and contributed to around 15% of total agricultural output⁵.

In terms of GDP or total exports, these numbers are rather limited in magnitude. However, GIs have important economic benefits: for example, Swiss products with regional or national indications benefit from a higher willingness to pay by consumers. Compared to similar products, the price premium of Swiss products corresponds to around 20%. The same goes for GIs from the EU. They have an estimated price premium of 10 to 30%⁶. Moreover, GIs can be a very important factor for the local economy at regional level (e.g. in the Champagne region in France⁷). Also, they can have significant spill-over effects as they can interact with tourism or gastronomy⁸.

If high-value products lack sound protection, they risk becoming grandfathered or even generic. As a consequence, they can lose an important share of their value, which is what happened to Swiss *Emmentaler* cheese, for example. Data on Swiss cheese⁹ shows that over the last 10 years, *Emmentaler* has lost its leading position in Swiss cheese exports. By 2016, it had lost 43% of its 2006 export value. Conversely, efficient protection together with a smart marketing campaign can create a success story, which is what happened to Swiss *Tête de Moine* cheese, for example. Its producers established a GI and subsequently expanded their market share. From 2006 to 2016, its export value increased by 29%, with accelerated growth in the last three to five years¹⁰.

In conclusion: GIs often have price premiums; they can be an important economic factor regionally; and they are able to support local economic development¹¹. In addition, sound protection helps to defend market shares build-up over the years and can be a key tool for ongoing expansion.

² See, e.g., *Dimara, E./ Skuras, D. (2005). Consumer demand for informative labeling of quality food and drink products: a European Union case study. Journal of Consumer Marketing, 22(2), pp. 90-100.* Or *Steenkamp, J.B.E., de Jong, M.G. (2010). A global investigation into the constellation of consumer attitudes toward global and local products. Journal of Marketing, 74(6), pp. 18-40.*

³ See, e.g., *van der Lans et al. (2001)* in the literature list below.

⁴ Register of the Swiss designations of origin and geographical indications (2017). Retrieved 25 August 2017 from [aop-igp.ch: http://www.aop-igp.ch/products/products/register-of-the-swiss-designations-of-origin-and-geographical-indications](http://www.aop-igp.ch/products/products/register-of-the-swiss-designations-of-origin-and-geographical-indications), National Accounts (n.d.). Retrieved 25 August 2017 from the Swiss Federal Statistical Office: <https://www.bfs.admin.ch/bfs/de/home/statistiken/volkswirtschaft/volkswirtschaftliche-gesamtrechnung/bruttoinlandprodukt.assetdetail.323487.html>.

⁵ *Chever et al. (2012). Value of production of agricultural products and foodstuffs, wines, aromatised wines and spirits protected by a geographical indication (GI). European Commission. Brussels. p.16.* "Output of the agricultural industry - basic and producer prices" (10 May 2017). Retrieved 6 June 2017 from Eurostat: <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tag00102>.

⁶ See footnotes 4 and 5.

⁷ *Le champagne, c'est combien d'emplois? (June 4, 2013).* Retrieved 16 June 2017 from l'union: <http://www.lunion.fr/region/le-champagne-c-est-combien-d-emplois-ia0b0n52945>.

⁸ *Suh, J., MacPherson, A. (2007). The impact of geographical indication on the revitalisation of a regional economy: a case study of Boseong green tea. Area, 39(4), pp. 518-527:* http://yucita.org/uploads/yayinlar/diger/makale/The_impact_of_geographical_indication_on_the_revitalisation_of_a_regional_economy_a_case_study_of_Boseong_green_tea.pdf.

⁹ *Jahresstatistik Milchmarkt 2016 (15 February 2017).* Retrieved 16 June 2017 from TSM Treuhand: http://www.tsmtreuhand.ch/fileadmin/pdf/Statistiken/Mehrjahresvergleiche/Jahresstatistik_Milchmarkt_2016_DE_15.02.2017.pdf.

¹⁰ See footnote 9.

¹¹ See, e.g., UNCTAD (2016) or *Bramley C., Biénabe E., Kirsten J. (2009)* in the literature list below.

The potential of GIs in non-European countries – some examples

Asymmetric information is especially relevant in agricultural markets. Regional, high-quality, agricultural products have great potential for significantly benefiting from GIs. Such high-quality products are certainly not exclusive to the European continent. They can be found in every country.

Some producers have already taken advantage of these opportunities. Think, for example, about the famous spirit, *Tequila*, from Mexico. According to the producer organisation *Consejo Regulador del Tequila*, growth of sales of high-quality *100% Agave Tequila* was four times higher than regular *Tequila* for the period from 1995 to 2016¹². Another example is the Colombian *Café de Colombia*. According to data from the *Federacion de Cafeteros* and the Food and Agricultural Organization of the United Nations (FAO), its crop value corresponds to around 15% of gross agricultural production in Colombia. But it is not only important in quantity. It also has a stable price premium of approximately 30% compared to the International Coffee Organization's composite indicator price¹³.

The Swiss Federal Institute of Intellectual Property (IPI) has worked with partner countries in several international cooperation projects to establish a sound GI protection system. This was to enable those countries interested to copy these success stories. In Jamaica, for example, we supported the creation of three GIs (*Jamaica Jerk*, *Jamaica Rum* and *Blue Mountain Coffee*)¹⁴, which, for example, resulted in the *Jamaica Jerk* GI in 2015¹⁵. At the beginning of the project, local producers hoped for better marketing opportunities and a more effective tool to fight free riders. All three products are important for the Jamaican economy: according to Jamaican officials, for example, there are some 16,000 small businesses involved in the Jamaican jerk industry – among them some 3,000 female workers. For the rum industry, data from the United Comtrade Database shows that rum and tafia products are responsible for around 3% to 4% of total Jamaican exports¹⁶. London-based international beverage analyst IWSR also estimates that *Jamaica Rum* is one of the few rum products that is expected to expand in the coming years¹⁷. Such strengths need to be defended and GIs are the right tool for doing so.

However, each product is different and what may be right for one does not necessarily mean it is right for the other. It is also evident that causal links between GIs and economic aggregates (e.g. trade volumes or growth rates) are hard to estimate. However, various countries and product categories seem to have had similar experiences (see literature below). In addition, a lot of work has been done to create a theoretical framework on the economic effects of GIs (see literature below). All of this combined allows us to better identify and assess possible GI effects.

GIs and development

Some of the possible effects of adequate GI protection seem to be especially relevant with regard to development. For example, by building trust among producers, GIs can help to establish long-term networks and create professional organisations. This in turn can foster cooperation, lower transaction costs, and eventually create economies of scale (e.g. marketing advantages due to the collective brand). Furthermore, fix costs of trade such as transportation or labelling might be reduced. Smaller producers especially can benefit from these potential advantages. Finally, GIs inherit the obligation to

¹² Información Estadística (n.d.). Retrieved 16 June 2017 from Consejo Regulador del Tequila:

<https://www.crt.org.mx/EstadisticasCRTweb/>.

¹³ Estadísticas Históricas (n.d.). Retrieved 15 June 2017 from Federacion de Cafeteros:

https://www.federaciondefcafeteros.org/particulares/es/quienes_somos/119_estadisticas_historicas/.

¹⁴ Jamaica-Switzerland GI project (n.d.). Retrieved 25 August 2017 from Jamaica IP Office: <http://www.iipo.gov.jm/node/54>

¹⁵ *Hibbert K.* (19 April 2016). Jamaica Jerk the Caribbean's first geographical indication. Retrieved 25 August 2017 from the Jamaica Observer: <http://www.jamaicaobserver.com/news/Jamaica-Jerk-the-Caribbean-s-first-geographical-indication-58138>.

¹⁶ UN Comtrade Database (2017). Retrieved 18 August 2017 from UN Comtrade: <https://comtrade.un.org/data>. Tafia is a cheaper rum product from Jamaica made from sugarcane juice. Comtrade data cannot distinguish between Jamaica Rum and Tafia. However, the major share is estimated to be Jamaica rum (see footnote 11).

¹⁷ *Jackson S.* (10 March 2017). Jamaica rum exports projected to grow. Retrieved 18 August 2017 from The Gleaner: <http://jamaica-gleaner.com/article/business/20170310/jamaica-rum-exports-projected-grow>.

produce regionally, which means that GIs can support local development. They foster or even create local value-chains and thereby contribute to inclusive growth. This can be especially relevant for rural areas and ethnic minorities¹⁸.

To summarise, a GI can help producers profit from economies of scale, create trade opportunities, and support inclusive growth. All of these effects contribute to aggregate growth and development.

Further develop the success story of GIs: grant all GI products the level of protection granted today to wines and spirits

Today, at global level, the development of positive socio-economic impacts of GIs is impeded by an entangled and incomplete confusion of standards and legal approaches. But GIs deserve an adequate and effective system of protection at both the national and international level. They also deserve to be used as the right tools by local communities throughout the world, as well as contribute to consumer welfare.

Therefore, “extension” is the key word for an inclusive use of GIs:

- Extension of the *sui generis* protection (right tool): establishment of an adequate, specific registration system for GIs in countries where this is not yet the case: e. g. Japan did so in 2015; Canada is about to do so;
- Extension of the adequate level of protection granted by international standards to GI wines and spirits (Art. 23 WTO TRIPS Agreement) to all GI products;
- Extension of the adequate national legal registration systems for GIs to cover all kinds of goods, not only wines and spirits or agricultural products and foodstuffs;
- Geographical extension of the international registration system of Lisbon, administered by the WIPO, as revised by the Geneva Act in 2015.

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¹⁸ See, e.g., Bowen (2010) or Belletti, Marescotti (2011) in the literature list.

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