

Increasing Protection of GIs at the WTO: Clawbacks, Greenfields and Monopoly Rents

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Geographic Indicators

- Increased international protection of GIs is a major issue for the EU
 - “In the EU, GIs are an integral part of the strategy for returning the agricultural sector to competitiveness” (Josling, 2006, p. 359)
- US trademarks vs EU GIs
- Commitment to negotiate on GIs is part of the Doha Ministerial declaration pertaining to TRIPS
- EU frustrated with slow pace of TRIPS negotiations tried to have it included in the “Agriculture Agenda”
 - 1994 Framework Agreement – it is mentioned as a area of interest but upon which no agreement could be reached
- EU has been making stronger GI protection part of its regional trade agreements – e.g. Southern Africa

Geographic Indicators

- The EU needs allies at the WTO to achieve its goal of strengthening GI protection
- It has been trying to secure the support of developing countries
- It has been:
 - Suggesting that GIs are a viable development strategy
 - Offering protection for developing country GIs in the EU market
- Are GIs a viable development strategy?

Clawbacks and Greenfields

- Some GIs have a considerable profile with consumers but do not have GI protection because they are considered “generic” terms in some markets – Port, Parma Ham, Feta Cheese, Cheddar Cheese
- If these terms could be given protection – “clawed back” there may be considerable monopoly rents that could be captured
- Developing countries have few products that have sufficient profile with consumers in developed countries that “clawbacks” would yield easily obtainable monopoly rents – Darjeeling tea?, Basmati Rice?
- Most developing country products would be faced with a “greenfield” development of a GI profile with consumers in developed countries
- “Greenfield” development of a GI in a developed country market is a very risky strategy for groups of farmers in developing countries

Monopoly Profits – The Evidence

- Groups of producers that receive GI protection for their products are given exclusive marketing rights – the objective is to use those rights to obtain monopoly rents
- Even for the EU that has based part of its agricultural policy on the granting of GIs, the evidence of the existence of monopoly rents (or increased producer incomes) is poor.
- A number of studies that use hedonic pricing models to determine whether GI products receive a premium – some show a premium but none consider the costs of establishing and maintaining a GI
- Many studies that talk about the potential benefits of GIs – but don't actually provide serious analysis
- In the case of developing countries, studies that discuss potential positive externalities from using GIs as part of a development strategy without coming to grips with the central question of whether a GI will increase producers' incomes

Monopoly Profits – The Evidence

- A number of studies of GIs that have not been not done by economists – people who don't understand *ceteris paribus*
- Has led to unwarranted claims:
 - “GIs provide added value to our producers. French GI cheeses are sold at a premium of 2 euro. Italian “Toscano” oil is sold at a premium of 20% since it has been registered as a GI in 1998. Many of these products whose names are protected, are exported. 85% of French wine exports use GIs. 80% of EU exported spirits use GIs. GIs are the lifeline for 138000 farms in France and 300000 Italian employees.” (European Commission, 2003).
- We did not find any studies that provided convincing evidence that GIs were an effective strategy for raising producers' incomes

Greenfield Establishment of GIs

- Greenfield establishment of a GI in a foreign market is a dynamic, complex and likely resource intensive undertaking
- It may require skills that producers in developing countries do not possess
- It is unlikely to be a “quick fix” for raising the incomes of producers in developing countries
- The real challenge is likely to come if some initial success is realized

Acquiring and defending the GI

- Gaining recognition/registration of GI
 - Link with quality and GI
 - Consumer willingness to pay
 - Consumer education
 - Timing and competitors
 - Objections
- Defending/enforcement of GI
 - Monitoring
 - Passing off
 - Legal recourse
 - Contingency plans
 - Recalls
 - Disaster management
 - Safety

Recognition + Enforcement = Exclusivity

Establishment & Promotion

GI's require an effective & complete marketing plan

- **Introductory stage**
- Build awareness & provide information
 - Usually takes a long time
 - Value of GI
 - Origin and why its special
 - How to prepare, use, enjoy

Samples of Prospective Products for GI Protection from Developing Countries

- Sambhalpuri cotton
- Alphonso mangoes
- Pochampalli silk
- Feni
- Wyanadan tumeric
- Multani Sohan Halwa
- Nehari
- Gathuthi tea,
- Ngoc Linh
- Buon Ma Thuot
- Hoa Loc
- Kisii tea, Kericho tea (Kenya)
- Bosung Green tea, Cheongan Chestnut (South Korea)
- Korla Fragrant Pear, Hami Melon (China)

Exotic GI's

- What is the fruit
- What are its special properties
- What does the logo mean



- To the uninitiated consumer, its just another pear and another logo

Establishment & Promotion

- Sustainability phase
- Promote sustained consumption beyond novelty consumption
- Counter competitors' duplicates or passing off
 - Exact duplicates can be legitimate so long as they don't use the GI
- Hire marketing expertise

Marketing Expertise

- Successful brand development without a GI



We think that Yorkshire's the best cup of tea in Britain...

- ☪ We buy the best quality tea by paying more for the pick of the crop.
- ☪ Every batch of Yorkshire Tea is blended to our special recipe for the perfect balance of flavour, strength and colour.
- ☪ Only Yorkshire Tea is blended to suit different water types. So our tea tastes delicious, no matter where you live.
- ☪ As a family business with strong values, we deal fairly with the people who grow our tea.

find out about our membership of:
www.ethicalteapartnership.org
working for a responsible tea industry



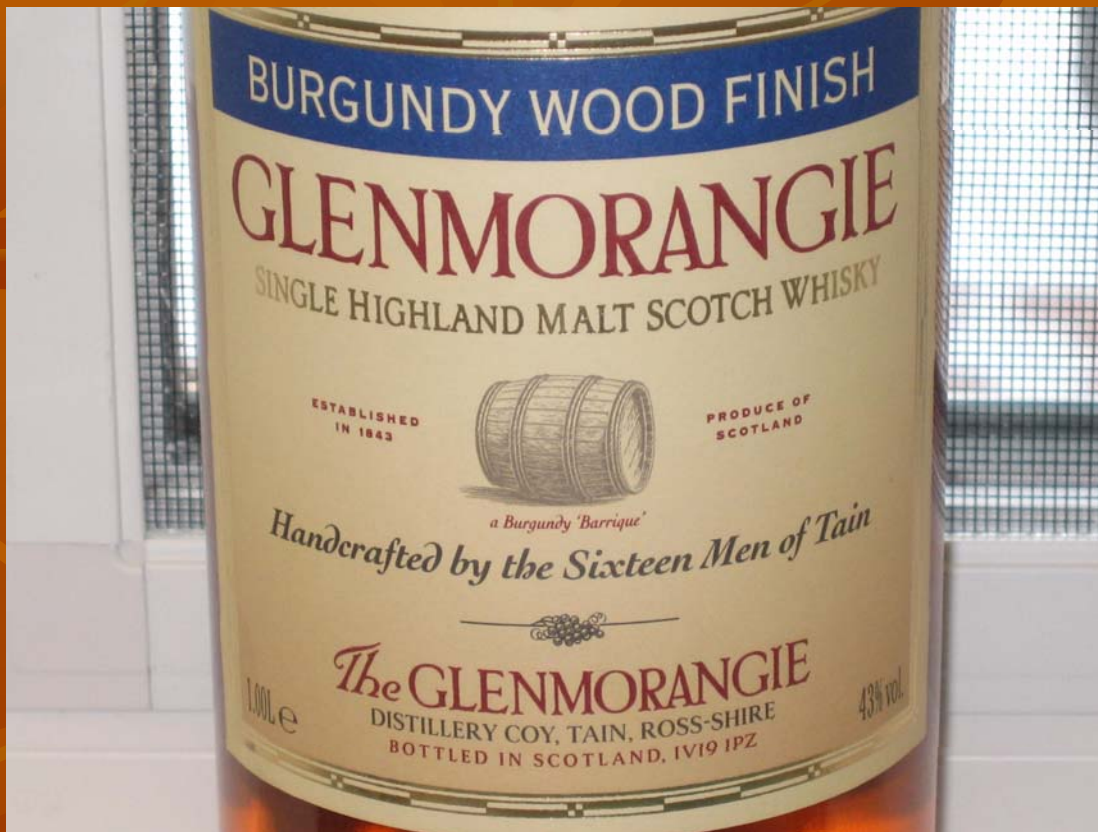
- Tea isn't grown in Britain but this is a highly regarded brand

GI vs. Marketing Expertise

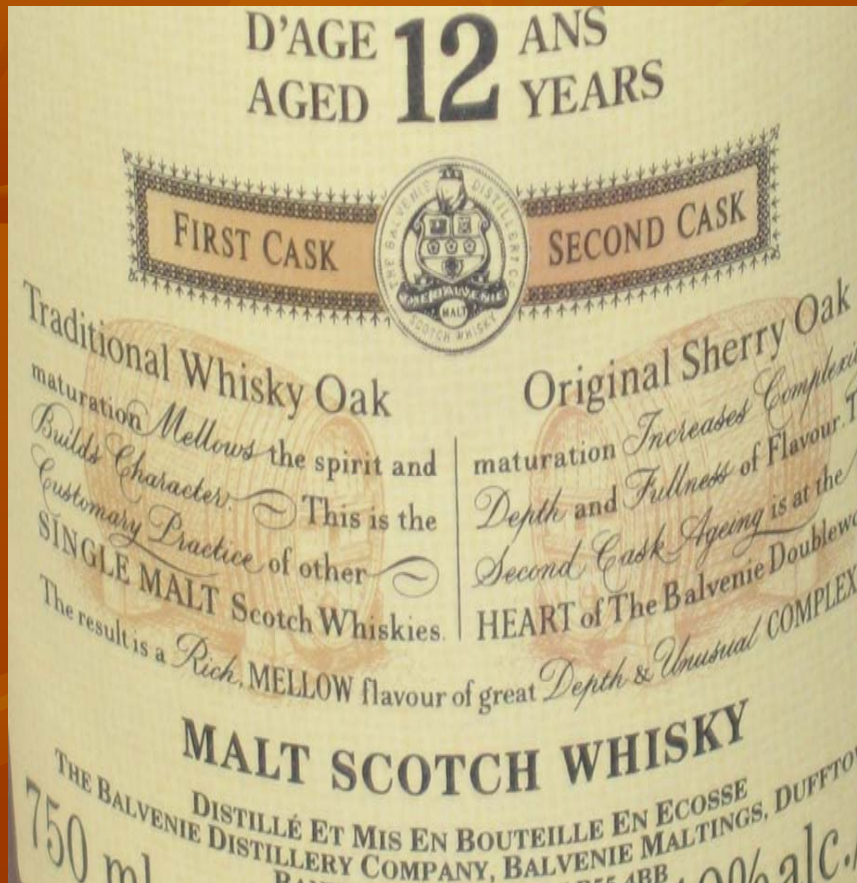


- Coffee is not grown in Canada, but this is really good coffee with a great brand and no GI

GI information



GI information



Legitimate competition



Quality, Reputation and Cheating

- Proactive supply chain management
 - Value chain relationships
 - Protect reputation
 - Equitable distribution of returns
 - Quality assurance
 - Information flows
 - Monitoring and incentives
- Stake in success of GI
- Stringent quality Control & reputation preservation
 - Collective support of standards
 - Internal enforcement of standards
 - Group dynamics
 - Internal disputes
 - Maintain quality
- Performance and integrity

Domestic GI system

- Producers of a GI product need a strong domestic GI system for international credibility
- Protects the value of the GI, domestically and internationally, as signal of quality to consumers
 - Non-members free-riding
 - Helps ensure quality control
 - Accommodates regional development goals
 - Facilitates new entrants to membership

Dealing with Success

- Change management
 - Success = need to expand
 - Adapt/improve product to consumer demands
 - New entrants with new production, standards or marketing ideas
 - New regulations
 - Tradition vs innovation
 - Philosophy & values
- Anticipate demands change may take place and have means to adapt

Integrated strategy

- Even successful GIs are constantly promoted and protected from competitive threats
- GIs may provide benefits to developing countries but isn't a quick fix
- Success based upon complete, effective and execution of strategy using organizational skills and resources not often present in developing countries

Conclusions

- Evidence proving efficacy of GIs in raising farmers' incomes in developed countries is not convincing
- Difficult to recommend that developing countries incorporate expansion of GIs into agricultural development programs
- Strengthening protection of GIs at WTO based on reciprocal protection in developed countries may not be in developing countries' best interests