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Protection of Geographical Indications in Trade Agreements: is it worth it?

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IATRC, 12/12/2022

BATModel better agri-food
trade modelling
for policy analysis



Geographical indications (GIs)

- Provide consumers with information on the geographical provenance and the characteristics of the products
- Aim at promoting and protecting the names of agricultural products and foodstuffs according to their origin
- Intend to sustain the competitiveness within the agri-food chains



European GIs in trade agreements

- Long time contentious issue in European trade relationships (WTO DSB in 1999 with the US, in 2003 with Canada...)
- Promoted by the European Union in multilateral and bilateral negotiations
- List of GIs included in recent EU trade agreements
 - EU-Korea (2012), EU-South Africa (2017), EU-Canada (2018), EU-Japan (2019)...

Literature on GIs

- Consumer's side : perception of labelled products (*Menapace et al. 2011, Hassan et al. 2011, Deselnicu 2013...*)
- Producer's side : Impact of GIs on survival of firms (*Bontemps et al. 2013*)
- Exporter's side : *Duvaleix, Emlinger, Gagné et Latouche 2021* on the French cheese industry
 - Price and quality effect of GI on exports
 - Higher market access to European markets and to countries with a similar policy about geographical indications
 - No volume effect

This paper

- Investigates the impact of the inclusion of lists of GIs in European RTA on trade patterns
 - at the extensive margin (probability of export)
 - at the intensive margin (value)
 - on unit value (proxy for prices)
- Uses an original and exhaustive dataset of French agri-food firms data concerned by geographical indications
 - merged with customs data
 - merged with data on firms characteristics
- Shows that protection of GIs in RTA has a positive impact on trade

Data sources

- **INAO** dataset : authorized plants for a given GI product 2012-2019
- **French customs dataset** : export in value and quality, by firm, destination and NC8 product
- **FARE Dataset** from INSEE : characteristics by firm and year (size, productivity)
- list of GIs products included in RTA

Correspondance issues

1 Correspondence **GI products** \Rightarrow **NC8 codes**

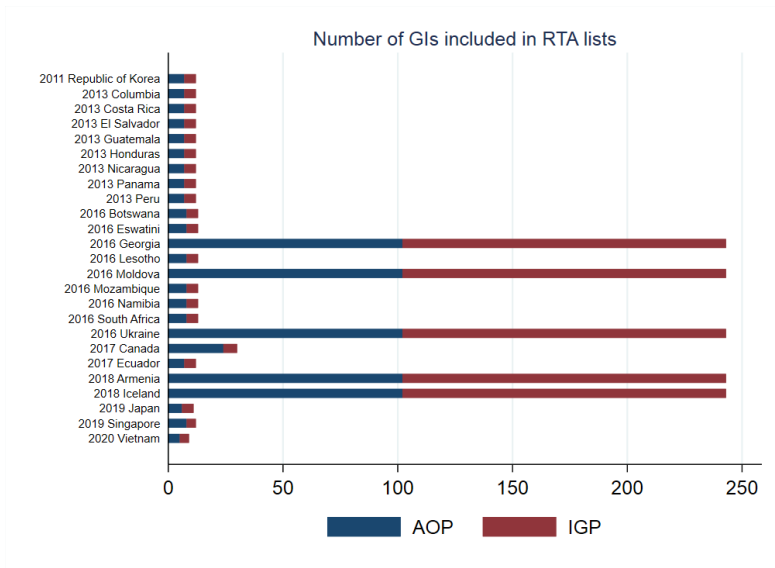
- A GI product may correspond to several NC8
- A NC8 may correspond both to GI and non-GI product
 - \Rightarrow All exports of a authorized firm of a NC8 code concerned by a GI are considered labelled in our dataset
 - \Rightarrow GI firms may export both labelled and non-labelled products

2 Correspondence **plant** (SIRET) \Rightarrow **firms** (SIREN)

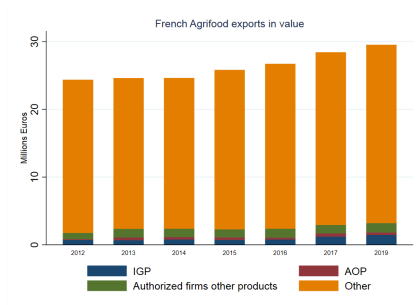
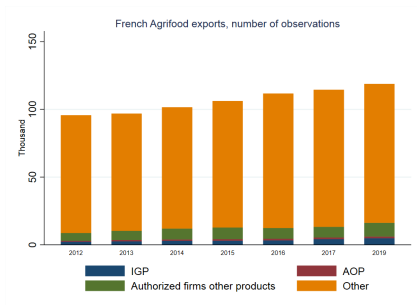
Descriptive statistics

- 225 French **Geographical Indications** (99 AOP and 126 IGP)
- 313 **NC8 codes** (over a total of 2,313), mainly in the dairy and meat sectors
- 337 **authorized firms** (over 5,046)
- GIs exported to 160 **destinations** (over 226)
- 25 countries have RTAs with the EU which include **lists of GIs**

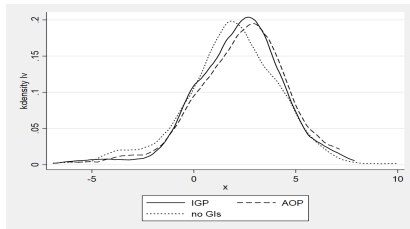
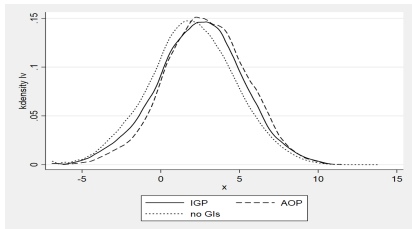
Descriptive statistics



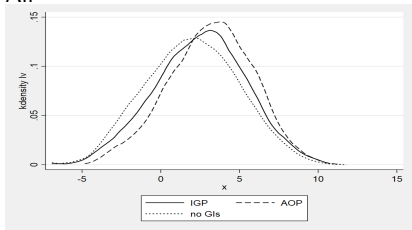
Descriptive statistics



Descriptive statistics

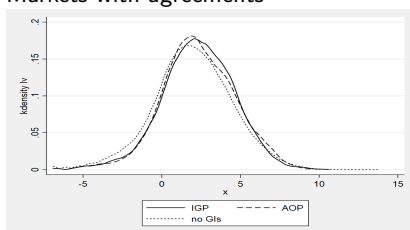


All



EU

Markets with agreements



Other markets

Specification

$$Exp_{fjkt} = \alpha GI_{fkt} + \beta GI_{fkt} \times Agreement_{jkt} + \Pi_{ft} + \xi_{jkt} + \varepsilon_{fjkt}$$

- GI_{ft} is a dummy indicating whether firm f is authorized to handle GIs for k in t
- $Agreement_{jkt}$ is a dummy indicating whether country j recognizes a GI for product k in t
- Π_{ft} time variant firm characteristics (productivity) or fixed effects
- ξ_{jkt} fixed effects controls for characteristics of the market of country j and good k the year t
- $Exp_{fjkt} =$
 - lv_{fjkt} log of export values of f to j for the k at t
 - X_{fjkt} dummy=0 if f exports k to j at t
 - luv_{fjkt} log of export unit values of f to j for the k at t

Results: intensive margin

	(1)	(2)	$\ln v_{fjkt}$ (3)	(4)	(5)
productivity _{ft}	0.0157 (0.0101)				
GI_{fkt}	0.6885*** (0.0573)	0.8314*** (0.0598)	0.8654*** (0.0623)	0.3176 (0.9704)	
$GI_{fkt} \times \text{Agreement}_{jkt}$	0.3446* (0.1976)	0.3452* (0.2069)	0.5115** (0.2132)	0.4726** (0.2385)	0.8797** (0.3670)
$GI_{fkt} \times EU_j$	0.0906 (0.0597)	0.1206** (0.0598)	0.1113 (0.0715)	0.1111 (0.0806)	0.1171 (0.1015)
N	576,970	587,525	571,657	482,162	381,385
R2	0.52	0.53	0.67	0.83	0.87
destination-product-time	yes	yes	yes	yes	yes
Firm	yes	-	-	-	-
firm-time	no	yes	yes	yes	-
Firm-destination	no	no	yes	yes	-
Firm-product	no	no	no	yes	-
firm-product-time	no	no	no	no	yes
firm-destination-time	no	no	no	no	yes

Notes: All continuous variables are in logarithm. Clustered standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Results: extensive margin

	(1)	(2)	X_{fjkt} (3)	(4)	(5)
productivity _{ft}	0.0003 (0.0007)				
GI _{fkt}	0.0434*** (0.0036)	0.0516*** (0.0038)	0.0503*** (0.0033)	0.0128 (0.0376)	
GI _{fkt} × Agreement _{jkt}	0.0170*** (0.0062)	0.0162*** (0.0062)	0.0173*** (0.0066)	0.0097* (0.0058)	0.0123* (0.0069)
GI _{fkt} × EU _j	0.0600*** (0.0053)	0.0614*** (0.0053)	0.0598*** (0.0042)	0.0689*** (0.0040)	0.0758*** (0.0040)
N	9,850,369	10,253,238	10,090,376	10,090,165	9,116,999
R2	0.18	0.19	0.39	0.50	0.55
destination-product-time	yes	yes	yes	yes	yes
Firm	yes	-	-	-	-
firm-time	no	yes	yes	yes	-
Firm-destination	no	no	yes	yes	-
Firm-product	no	no	no	yes	-
firm-product-time	no	no	no	no	yes
firm-destination-time	no	no	no	no	yes

Notes: All continuous variables are in logarithm. Clustered standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Results: unit values

	(1)	(2)	$\ln v_{fjkt}$ (3)	(4)	(5)
productivity _{ft}	-0.0017 (0.0031)				
GI_{fkt}	0.0055 (0.0138)	0.0027 (0.0148)	-0.0015 (0.0154)	0.1948 (0.2269)	
$GI_{fkt} \times \text{Agreement}_{jkt}$	0.1170* (0.0650)	0.0941 (0.0639)	0.1398* (0.0721)	0.2239*** (0.0811)	0.3426*** (0.1241)
$GI_{fkt} \times EU_j$	-0.0047 (0.0140)	-0.0015 (0.0145)	0.0175 (0.0170)	0.0501** (0.0195)	0.0774*** (0.0235)
N	576,414	586,953	571,097	481,732	380,962
R2	0.77	0.78	0.84	0.90	0.92
destination-product-time	yes	yes	yes	yes	yes
Firm	yes	-	-	-	-
firm-time	no	yes	yes	yes	-
Firm-destination	no	no	yes	yes	-
Firm-product	no	no	no	yes	-
firm-product-time	no	no	no	no	yes
firm-destination-time	no	no	no	no	yes

Notes: All continuous variables are in logarithm. Clustered standard errors in parentheses

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Results: heterogeneity of GIs

	$\ln v_{fjkt}$ (1)	$\ln uv_{fjkt}$ (2)	X_{fjkt} (3)
IGP_{fkt}	0.8593*** (0.0739)	-0.0530*** (0.0195)	0.0558*** (0.0043)
$IGP_{fkt} \times \text{Agreement}_{jkt}$	0.3978 (0.2950)	-0.0764 (0.1099)	0.0122 (0.0085)
$IGP_{fkt} \times EU_j$	0.0334 (0.0775)	0.0778*** (0.0200)	0.0447*** (0.0047)
AOP_{fkt}	0.6113*** (0.0917)	0.0572*** (0.0192)	0.0364*** (0.0042)
$AOP_{fkt} \times \text{Agreement}_{jkt}$	0.5781** (0.2765)	0.2179** (0.0908)	0.0278*** (0.0089)
$AOP_{fkt} \times EU_j$	0.2798** (0.1189)	-0.0788*** (0.0241)	0.0803*** (0.0082)
N	571,657	571,097	10,090,376
r ²	0.67	0.84	0.39
destination-product-time	yes	yes	yes
firm-time	yes	yes	yes
Firm-destination	yes	yes	yes

Notes: All continuous variables are in logarithm. Clustered standard errors in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Conclusion

- We show that :
 - GIs foster exports of French agri-food firms
 - the recognition of GIs in trade agreements increases both the intensive and extensive margins of trade, as well as unit values for these products
 - this outcome is mainly driven by AOP, the oldest and most renowned geographical indication

→ In favor of the inclusion of lists of GIs in trade agreements

Future steps

- Investigate whether the inclusion of GIs in RTA increases the perceived quality of products (Khandelwal 2013)
- Look at potential spillover effects for the other products of the authorized firms
- Explore the heterogeneity by sector and by country