



Geographical Indications, Public Goods, and Sustainable Development: The Roles of Actors' Strategies and Public Policies

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Summary. — The protection of Geographical Indications (GIs) is being explored more and more worldwide as a tool for supporting local sustainable development. Focusing on wine and coffee value chains, this paper will set out in what way GI protection schemes can contribute to the provision of public goods, and illustrate how this contribution is being threatened by different failures that may occur within both valorization strategies and legal protection policies. By examining how private, collective, and public interventions front these failures, this paper will put forward economic arguments supporting a more comprehensive policy approach, to ensure GIs' contribution to sustainable development.

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1. INTRODUCTION

Geographical indications, or GIs, identify products that have a specific quality tied to their geographical origin. These origin-based products, or OPs, are the result of technical, social, and economic interactions, including both the mobilization of locally specific resources such as local know-how and cultural traditions, and the construction of product quality within marketing chains between producers and consumers. Over time, actors involved in these interactions shape the identity of an OP by tying its specific quality attributes to the territory where it is produced, rather than to a single firm, and by bringing it under a geographical name, or a GI, rather than a private trademark. If, thanks to supply, demand, and market conditions, the process of valorizing an OP proves successful, consumers will recognize the geographical name over time, it will be incorporated into a collective reputation. The OP can thus become a “GI product”.

GIs can therefore be considered as institutional constructions connecting the specific quality and reputation of an OP to a specific territory. This construction may be strengthened by, or indeed prompted by, the legal protection of GIs. This is increasingly being viewed as a powerful means of adding value to OPs worldwide, as they therefore become “protected GI (PGI) products”.¹ Although some studies have indicated that potentially there are negative effects to exploiting and protecting GI products (see for example Barham & Sylvander, 2011; Jena & Grote, 2012; Smith, 2008; Vandecastelaere, Arfini, Belletti, & Marescotti, 2011), the support for the establishment of PGIs is now frequently part of public policy in countries in both the north and the south. Arguments justifying this support continue in political and scientific arenas. These arguments focus on, as appropriate, the contribution to market regulation, the benefit to consumers and firms, the positive impact on local development processes, and the protection of natural and cultural resources (Barjolle, Sylvander, & Thévenod-Mottet, 2011; Bramley & Bienabe, 2012; Sylvander *et al.*, 2006). In these debates, the contribution PGI products make to public

goods provision is widely cited as a justification for public intervention.

However, the ties between GI and PGI products and public goods are yet to be studied in-depth. Therefore there is a need to better understand how public policies on GI protection, along with private and collective actions, can strengthen public goods provision.

This paper will consider how developing GIs can generate externalities and contribute to the provision of public goods. There will be a particular emphasis on the role GI legal protection schemes can play. Further, this paper will show that the ties between the legal protection of GIs and public goods provision are complex and context-dependent, as they are subject to strategies pursued by public, collective and private actors involved in the GI product value chain.

We have approached the subject using systematization, interpretation, and a critical consideration of information and lessons learnt on the subject of two products derived from perennial crops, namely, wine and coffee. We have used a selection of case studies analyzed by the authors directly,² as well as available economic literature and other “gray” sources. This information has been categorized using a theoretical framework based on the concept of public goods. From this, this paper aims to illustrate and develop new economic arguments that support a more comprehensive policy approach to the contribution GIs make to sustainable development.

This paper will be organized as follows: in the section following we will present the economic features of GI products, focusing on the institutional conditions that allow for “virtuous” sustainable development, the public profiles of GIs, and the potential failures of GI regulation and valorization strategies with regard to public goods and rural sustainable development. The third section will show how the economic model of GIs has developed in wine and coffee value chains, and how it may or may not contribute to public goods provision. In the fourth section we will discuss how actors' strategies and public policies can prompt the development of GI products with the aim of supporting their contribution to public goods provision.

2. GEOGRAPHICAL INDICATIONS AND PUBLIC GOODS: AN ECONOMIC BACKGROUND

(a) A “virtuous” economic model for GI products and the role of legal protection

In economic literature, GI products and their protection schemes are generally analyzed using two quite different approaches. The first uses standard microeconomic models and deals mainly with the welfare implications of GI regulatory approaches (see for e.g., Bonroy & Constantatos, 2015; Desquilbet & Monier-Dilhan, 2015; Lence, Marette, Hayes, & Foster, 2007; Menapace & Moschini, 2014; Moschini, Menapace, & Pick, 2008). The second approach, which this paper follows, uses the institutional analysis of quality and local endogenous development theories (Allaire & Sylvander, 1997; Bowen & Mutersbaugh, 2014; Nicolas & Valceschini, 1995; Pecqueur *et al.*, 2008; Rangnekar, 2004; Vandecandelaere *et al.*, 2011). This approach assumes that the market viability of GI and PGI products is primarily based on consumer recognition and a willingness to buy products whose production process is territorially delimited, and whose quality is thought to stem from their place of origin. Nevertheless, two other characteristics of the supply are relevant to understanding the economic nature of these products.

The first characteristic is the existence of the unique tie between the quality of the GI product and the territory where it is produced, which is a key point in understanding how these products are tied to externalities and public goods.³ Indeed, this tie is multidimensional and encompasses different aspects of product quality. Locally specific resources, both physical (i.e., a particular climate, soil, local variety or breed) and anthropic (i.e., local know-how, specific skills, landscape, historical traces, and narratives) are normally used in the production and marketing process (Barham & Sylvander, 2011; Belletti, Casabianca, & Marescotti, 2012). These resources can affect both the physical components of the product, and its intangible and symbolic attributes. GI products often originate in production systems that are less permeable to modernization and standardization, or in traditional farming systems that give them a specific character. Moreover, GI products are not only tied to a local supply chain, but also to the whole local community, as demonstrated by the product’s ties to consumption habits, local gastronomy, fairs and festivals, daily life and traditions stemming from production methods. As a consequence they possess a particular status related to their heritage (Bérard & Marchenay, 2006).

The second characteristic is related to the collective dimension of the GI, as the GI product and its reputation are the result of the efforts of many people over the course of years (and in some cases centuries) (Arfini, Mancini, & Donati, 2012; Bienabe, Kirsten, & Bramley, 2013). This explains why in many legal systems, GIs cannot be registered by individuals as private trademarks. The fact that the actors in the supply chain share a common vision concerning the quality of the product and the specific characteristics of its production process is a crucial factor in defining the identity of the product in the market, and in strengthening its reputation.

In consideration of these key characteristics of GI products, we suggest that these products can be tied to an ideal economic model. In this model, the added value generated by GI products in the market, which is led by consumer recognition and supported by the collective actions of value chain actors, is distributed along the value chain and invested in three main categories of purpose:

- Development of farms and firms: remuneration of the company’s labor and capital, and new investments to increase productivity, scale, process, and product quality;
- Collective action on promotion and control: the development of a collective GI organization dedicated to product quality control and guarantee, marketing and informing consumers, with the aim of defending and increasing the collective reputation of the GI;
- Specific local resource management: individual and/or collective investment in the preservation and development of local resources. This is primarily achieved through the renewal of traditional farming systems and voluntary actions that preserve the environment and landscape, but is also achieved through cultural and gastronomic events strengthening the identity of the local community.

In this way a virtuous economic model for GIs, or a “circle” (Belletti & Marescotti, 2011; Vandecandelaere *et al.*, 2011), works by enhancing three principal pillars: the economic viability of firms in the value chain, consumer knowledge and confidence in the ties between product quality and its origin, and the preservation of the locally specific resources that determine the territory-specific quality of the GI product.

The legal protection of GIs can offer opportunities for supporting the operation of the virtuous economic model. Economically speaking, the rationale for GI legal protection concerns the control of market failures that may result from the nature of “public goods” characterized by limited excludability and limited rivalry, and a belief in the value of the GI. In the absence of regulations concerning the use of the GI as a tool in intellectual property rights, anyone can use a geographical name. This includes products made outside the traditional geographical area, and products made within the area but with production techniques that do not meet the specific quality expected from the tie with the area. An example of this latter would be a meat product that is not based on a local breed and traditional breeding techniques and pastures, but on a generic breed and modern techniques. GI regulation using legal protection schemes aims to control free-riding and prevent over-exploitation of the name (Dogan & Ummuhan, 2012), and has allowed economic benefits to be retained by local producers engaged in maintaining GI product identity and reputation. Over time other justifications for GI protection laws have emerged that are more concerned with noneconomic and global issues, such as supply regulation, rural development, environment, and the protection of cultural traditions (Sylvander *et al.*, 2006).

More structured GI legal protection systems, such as the *sui generis* systems (Thévenod-Mottet & Marie-Vivien, 2011), permit only collective applications for GI recognition, and acknowledge the collective nature of intellectual property rights for the GI. Written product specifications are required, needing third-party inspection and certification systems. Product specifications should contain a definition of the geographical boundaries of where the GI production is recognized, a justification of the tie between the territory and its local resources and the GI product quality, the characteristics of both the production process and the quality of raw materials, and the definition of the final GI product. The inspection system should act as a guarantee to both consumers and honest producers that products sold with the GI comply with the product specifications. Recognition of a collective IPR is normally tied to the establishment of a GI collective organization devoted to the management of the PGI and its reputation, as is the case with *Consorzi di tutela* in Italy, *Consejos reguladores* in Spain and *Interprofessions* in France.

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