Why do Geographical Indications matter to us?
30 July 2003

GIs are important to our producers and to our exports...
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.

…to the future of our Agricultural policy…
GIs are unique assets for our producers in an increasingly liberalised world. The EU has entered, in good faith, in negotiations with its partners in the WTO with a view to further liberalising world trade in agricultural commodities. This will mean, in practice, less export subsidies to our farmers. This policy is embodied in the Commission’s proposed review of the Common Agricultural Policy: compete internationally on quality rather than quantity. Yet, efforts to compete on quality would be futile if the main vehicle of our quality products, GIs, is not adequately protected in international markets. The EU Commission can hardly ask EU farmers to invest in promoting GIs, if anyone would be allowed to use them!

…to consumers...
EU consumers highly appreciate GIs as demonstrated by a 1999 consumers survey indicating that, generally, 40% of consumers are ready to pay a 10% premium price for origin-guaranteed products.

…to many developing countries...
India, Pakistan, Sri Lanka, Thailand, Kenya, Jamaica and other developing countries have demanded better GI protection. They are worried about multinationals patenting and selling “Basmati” rice, “Ceylon” tea, “Blue Mountain” coffee, “Jasmine” rice. The EU is helping them ripping the benefits of the TRIPs Agreement and fully supports their demands. Today, 6000 million pounds of “Antigua Coffee” are produced in such region of Guatemala but 50000 million pounds are sold under that name around the world. Similarly, 10.000 million kg of “Darjeeling” tea are produced in India, but 30.000 million are sold under the same name around the world.

…to free trade.
Protecting GIs is not about protectionism but about free trade. Today, Italian producers have to call their “Parma Ham” as “N. 1 Ham” in Canada and cannot even sell their ham in Mexico. They are loosing an estimated 3.5 million euro per year in these two countries alone. The Parma Ham denomination dates back to Roman times and has been used in Italy for almost 2000 years. The EU adheres to the “let the best cheese or ham win” but… how can you win the battle if you can’t even call your ham “Parma Ham”!
What are our Objectives on GIs?

1. **A multilateral register for geographical indications (TRIPS):** The EU envisions a simple, cost-effective system of world-wide registration for geographical indications so that farmers and SMEs can protect their GIs, even if they don't have deep pockets.

2. **The extension of the additional GI protection (TRIPS):** Ensuring that not only wines & spirits but also cheeses, rices and teas can enjoy the benefit of not being copied by producers from other countries by simply indicating “made in USA” or “style of Roquefort”.

3. **Ensuring market access for EU GI products (Agriculture):** By asking WTO members, for a selected group of GIs, to remove prior trademarks and, if necessary, grant protection for EU GIs that were previously used or have become generic so that our GI products can gain market access.

Geographical Indications in detail

Why do GIs matter to us?

1. **GIs are key to the EU economy**

Geographical indications are an important matter for the European Communities. The European Communities have registered some 4800 geographical indications (4200 for wines and spirits; 600 for other products). For example, France's 593 GIs (466 for wines and spirits and 127 for other products) generate 19 billion euro of value (16 billion wines & spirits and 3 billion other products) and constitute the lifeline of 138 000 agricultural outfits. Similarly, Italy's 420 GIs (300 for wines & spirits and 120 on other products) generate a value of 12 billion euro (5 billion euro for wines & spirits and 7 billion for other products) and give employment to more than 300,000 citizens. In Spain, 123 GI products generate some 3.5 billion euro of income (2.8 billion for wines and spirits and 0.7 billion euro for other products).

Geographical indications constitute the main pillar of the EU’s quality policy on agricultural products. GI products represent a considerable part of our agri-food exports already, but, more importantly, create a genuine niche for development of agri-food industries for relatively low development agricultural economies.

The case of a traditionally not-export-oriented country like Spain is striking: in 1991 (5 years after accession to the EU), exports of GI products amount to 443 million euro and in 1999 more than 1 billion euro.

Overall, the importance of GI for EU exports is paramount. To give an example: out of the 5.4 billion euro of EU exports for spirits, 3.5 billion euro pertain to GI-labelled spirits.

2. **GIs are key to EU and developing countries cultural heritage, traditional methods of production and natural resources**
GIs were used in ancient Egypt by brickmakers to indicate the origin-related resistance of bricks and stones with which pyramids were made. Geographical indications were already used as signs of quality, as also illustrated in ancient Greece, where Thasian wine (from the island of Thasos, Macedonia region, Greece) yielded a price premium of 20 drachmas for 20 litres. Use of nowadays GIs like Parmiggiano or Comté dates back from the 13th century. GIs had been used much in the same sense also abroad, as is the case for Washington potatoes, which dates back to the 19th century. Similarly, Basmati Rice, Long-Ging Tea and Jasmine rice are at the heart of the national identities of India, China and Thailand. It is not surprising that the patenting of certain Indian rice strands by a US corporation, which was later sold under the term “Texmati” rice or “Texbasmati” rice, provoked an outrage in India. Ensuring that the “Basmati” rice denomination is not used to sell products other than those produced by the 9000 Indian families for which it constitutes its lifeline also ensures that the biological diversity of developing countries is not ripped-off. This is why India, Egypt, Pakistan, Sri Lanka, Thailand are also at the forefront of the GI debate.

3. GIs unlock value as other brands do.

GI products constitute a genuine interest for producers as they unlock value by capitalising on consumers’ desire for diversity, typical, quality products. French GI cheeses are sold at an average of 2 euro per kilo more than French non-GI cheeses. French “Poulet de Bresse” has a market price 4 times higher than regular French chicken. Producers of milk used for “Comté” cheese are paid 10% over regular milk price. Producers of Italian “Tuscano” olive oil have managed to increase prices for their olive oil by 20% since it was registered as a GI in 1998.

4. GIs are key to ensure Fair Competition and Consumer Information

There is ample evidence that GIs are positive for consumer protection. According to market surveys, GIs are perceived both as origin and quality indicators. They assist consumers in making the right choice, be it whether to buy a GI product or not. In a recent consumer survey, more than 40% of consumers showed willingness to pay a 10% price premium if the origin of the product was guaranteed. This consumer eagerness to buy GI products can only be captured and materialise if misleading information and copycats are prevented. This is not the case today, as labelling information is insufficient.

The problems of GIs in the international arena

The EU adheres to the policy of “let the best cheese win” or “let the best wine win”. Yet the EU would like that the game takes place according to fair rules.

Brand information and protection is insufficient. In recent brand surveys, 42% of consumers interviewed selected a product, but then realised that they were not getting what they wanted. 21% actually bought an unwanted product. 18% of shoppers bought look-alikes because they thought they were made by the original brand manufacturer.
When it comes to international trade, the problems facing exports of GI products exporters are particularly acute.

1. Difficulties on enforcement

There is a problem of enforcing GI protection. GIs are, in a way, a collective mark. They are collectively held by thousands of small producers that do not have the resources to engage in expensive litigation and register their names in all 145 countries members of the WTO.

2. Lack of an appropriate level of protection

The WTO rules provide for insufficient protection. For example, rules exist but are not sufficiently enforced to prevent an Australian producer to label a spirit drink with a Scotsman with a pipeflute so the consumer believes that the spirit is actually “Scotch Whiskey”. To make matters worse, products other than wines & spirits such as tea, rice, carpets, cheese or porcelain of particular interest for developing countries are overtly discriminated under WTO rules. Indeed, while one cannot label a US wine “style of Rioja”, nothing prevents a US producer to label a cheese “Style of Manchego” as long as he/she indicates that the product is “made in the USA”. For the latter case, the consumer is facing contradictory information as one of the elements clearly evokes Spain, where as the other points to a US origin. Consumer choice may be further complicated if “made in USA” is only indicated in smaller characters on the label.

Furthermore, under the current WTO rules, any US producer can register as a trademark “Manchego made in USA”. To give an example, more than 150 EU GIs have been registered as trademarks by the Argentinean producers.

This is not only an EU problem: today, the region of “Antigua” in Guatemala produces some 6 million pounds of genuine “Antigua” coffee. Yet some 50 million pounds of coffee are sold under the “Antigua” denomination around the world. Indian “Darjeeling tea” producers export 8.5 million kg of such tea generating some 30 million euro for the region. Yet, some 30 million kg of such tea are traded around the world under the denomination “Darjeeling”. The figures grow exponentially when one speaks of “Basmati Rice”, that generates some 300 million euro to the Indian economy.

3. Grand-fathering clauses and the “sins” of the past

There is the question of the grand-fathering clauses. First, the WTO rules are crafted in such a way that EU GIs which were registered as trademarks in third countries cannot be attacked. This causes tremendous losses to EU producers. For example, the fact that the name “Parma” was registered by a Canadian citizen before the TRIPs Agreement entered into force makes that Italian producers of “Prosciutto di Parma” have to resort to expensive litigation, re-label their product as the “n. 1 ham” and compete with a lower-quality product actually labelled “Parma”. Total losses: some 3 million euro per year. “Parma Ham” faces a similar situation in Mexico, Argentina and many other countries in the world. “Let the best ham win?”
Similarly, GIs that have become generic in third countries or have been used in good faith 10 years prior to the TRIPs Agreement do not need to be protected under WTO rules. In practice, this discourages export and promotion efforts, as the reputation of a GI has been so severely eroded that is no longer worth it to make the effort of entering those markets.

The EU’s international policy on GIs

The EU has the following three objectives for the negotiations on GIs in the context of the DDA:

- **a multilateral register for geographical indications** (TRIPs): the EU envisages a simple, cost-effective system of world-wide registration for geographical indications;

- **the extension of the additional GI protection** (TRIPs): ensuring that not only wines & spirits but also cheeses, rice and teas can enjoy the benefit of not being copied by producers from other countries by simply indicating “made in USA” or “style of Roquefort”;

- **ensuring market access for EU GI products** (Committee of Agriculture): asking WTO members, for a selected group of GIs of significant economic and trade value, to remove prior trademarks and, in necessary, grant protection for EU GIs that were previously used or have become generic.

GIs are unique assets for our producers in an increasingly liberalised world. The EU has entered, in good faith, in negotiations with its partners in the WTO with a view to further liberalising world trade in agricultural commodities. This will mean, in practice, less export subsidies to our farmers. This policy is embodied in the Commission’s proposed review of the Common Agricultural Policy: compete internationally on quality rather than quantity. Yet, efforts to compete on quality would be futile if the main vehicle of our quality products, GIs, is not adequately protected in international markets. The EU Commission can hardly ask EU farmers to invest in promoting GIs, if anyone would be allowed to use them!