

The Impact of Geographical Indications on Global Trident of their Competitiveness

Arifa Nousheen

Lecturer, Department of Geography and Geomatics, University of Peshawar

Sadiq Kamal

M.Phil. Scholar, Department Geography and Geomatics, University of Peshawar

Abstract

This paper explores the impact of geographical indications (GIs) on global trade, emphasizing their role as valuable intellectual property rights that protect local and regional products. GIs serve not only to prevent the misuse of geographical names but also to enhance the marketability and reputation of products linked to specific regions. The research highlights the historical evolution of GIs, tracing their significance from ancient civilizations to modern legal frameworks, particularly the TRIPS Agreement. It examines how GIs contribute to economic benefits by fostering cultural heritage and promoting sustainable development in rural areas. The paper also discusses the types of GIs, including Protected Designations of Origin (PDOs) and Protected Geographical Indications (PGIs), and their distinct roles in product differentiation. Furthermore, the analysis reveals the economic implications of GIs, such as premium pricing and market exclusivity, while addressing the challenges posed by globalization and varying international standards. The findings advocate for the harmonization of GI protection in trade agreements to ensure equitable benefits for producers and consumers alike. Ultimately, this study underscores the importance of GIs in enhancing the competitiveness of local products and preserving cultural identities in the global market.

Keywords

Geographical indications, global trade, intellectual property, TRIPS Agreement, economic benefits, product differentiation, cultural heritage, rural development

1. Introduction

The majority of world trade takes place in foodstuffs or food products. In this respect, geographical indications (GIs), a type of intellectual property right, have become an important economic tool for the protection of local or regional products, the improvemeters such as human activities or natural conditions in the area. The

The Social Science Research Review

Volume. 1 Issue No. 1 (2024)

objective of this essay is twofold: it will focus, first, on the impact of GIs on international trade, and, second, on their valorizing function to promote a country's cultural heritage, tradition, and lifestyle that are linked to its territoriality and associated identity, therefore achieving market benefits (Flinzberger et al.2022).

The need to protect a product from one's geographical area, to give recognition to the producers and local communities, to educate the consumers by providing information on the product itself, its peculiar properties, and why it is considered 'special' are motives consistent with and enshrined in the policy objectives of countries, as are the enhancement of the geographical and cultural knowledge of products and the support of public opinion in favor of reasoned food choices. It is important to analyze the role of the GI from a legal and economic perspective to understand the difficulties and complexity of harmonizing the different needs involved in this trade. This involves the coexistence of the logic of the local producers with the commercial activity of the intermediaries and their relations in the national and European market. It is, in fact, important to highlight the strong relations existing between the logic of the local, small, relatively isolated producers and the global logic of the intermediaries.

2. Understanding Geographical Indications

A geographical indication is a sign that is used on products that have a specific geographical origin and possess qualities or a reputation that are a result of that origin. Its main purpose is to prevent people from falsely using the geographical name on products that may not be produced there, in order to protect the true origin of a product. Geographical indications can have substantial economic and legal value, as such indicators, over time, evolve into brands that consumers associate with a high level of quality. They are particularly associated with agricultural products, as a relatively small number of countries have long focused on production based around local, often traditional, varieties. A geographical indication is a sign used on products that have a specific geographical origin and whose quality, reputation, or other characteristics are critically conditioned or influenced by that place of origin. Geographical indications can be protected and provide the legal basis for labeling products in three main areas. Firstly, they can directly protect the names of foodstuffs deemed the most important. Secondly, as part of appellation of origin, they can

protect the areas in which foods with a protected designation can be produced. Finally, as geographical indicators, they protect the unique and valuable attributes of a product that are the conditional result of their geographical environment. Geographical indications act as certification that products with a geographical indication are authentic and of a certain level of quality—qualities that are intimately tied to the culture and traditions of the area in which they are produced and which cannot be easily replicated. Geographical indications can therefore function as consumers' property, a role that is increasingly important in a modern food market characterized by mass production. Financial success depends not just on price, availability, or quality, but also on the degree of trust that can be embedded in the consumer. In international trade, however, the critical area of protection is the distinctive core value of a product. By sealing the link between quality and origin, a geographical indication can be used to differentiate a good from competitors' goods, and so price goods in a way that is not possible for others to emulate. In so doing, a registered geographical indication can 'rent' some amount of the value that is captured by a good, allowing it to keep the company in rural and economically deprived areas, where products have for centuries been produced (Bartoli et al., 2022).

2.1. Definition and Significance

Geographical indications are signs that identify products originating from a specific geographical location, where a particular quality, reputation, or other characteristic of the product is essentially attributable to its geographical origin. Therefore, a 'geographical indication' informs consumers that all major steps of the production process occurred in a definite territory, and those who exploit it must strictly comply with a specific set of rules. These rules guarantee a clear and direct link between the product and its origin. Therefore, geographical indications provide consumers with the best guarantee of the authenticity of the good in their hands, and at the same time, safeguard the interests of producers, who are protected from the distortion of their product and the consumer's confusion about its actual origin. Geographical indications are an important issue within the legal field because their legal protection is included in the TRIPS Agreement. Thus, the TRIPS Agreement provides a regulatory framework for the protection of geographical indications worldwide, an

essential condition for ensuring effective protection in global trade. Moreover, the presence of geographical indications may have an impact on the place of purchase of consumers, on choice among various goods, on the evolution of demand, and therefore on market segmentation and product differentiation. These signs are helpful in terms of product positioning with respect to other products in both domestic and foreign markets. In economic theory, more general definitions place emphasis on the coherence of a product's specific qualities with the geographical environment, the traditions of the place, and the mode of production. Moreover, they underline the potential role of geographical indications in terms of the possible promotion of socio-economic factors (Pick & Marie-Vivien, 2021).

2.2. Types of Geographical Indications

1. Introduction

Geographical indications (GIs) can be categorized in several different ways according to the characteristics they exhibit. In this sub-section, the classical distinction between various types of GIs will be elaborated as it is still used in the realm of GIs and is useful for understanding. Usually, the following categorization of GIs is utilized, distributed according to different analogical models:

The type of origin and the goodwill symbol: Protected Designations of Origin (PDO) on one extreme is utilized for products that are significantly and essentially linked to their origin, while on the other extreme, Protected Geographical Indications (PGI) are used for products with less strong boundaries concerning origin. According to this unwritten thinking, the more the product is attached to the place of origin, the stronger information will be transmitted to the consumers. A higher level of protection is granted for PDO than for PGI products (Cassago et al.2021).

This sub-categorization also appears useful for historical insights and trends in the practice of GIs. The flexibility of application of GIs in international markets partly depends on the market strategy of different regions and on the development of approaches to GIs, mainly focusing on the international market and more recently on the growth of a local strategy. Many strategies at different levels of specificity concerning GIs will also be highlighted in this chapter. The first division, PDO and PGI GIs, originating from wine products, is typical of France; this factor may underlie

the presence of this characterization. Unlike this option, a common additional third denomination is the Traditional Specialty Guaranteed (TSG) GIs category, a niche sector with numerous local formulas.

3. Historical Development of Geographical Indications

Geographical indications (GIs) have a long history. In ancient Egypt, real wines were produced in the wine-growing region of Canaan, whereas counterfeit wines were made elsewhere in Egypt. In the first century A.D., complaints were made about counterfeit wines from Arles. The use of specific signs is documented in the Holland Cheese Association in 1322. In the Middle Ages, regional bans on goods created various forms of territorial trademarks. Other sources argue that the Dutch even enforced the protection of knitting techniques across territorial borders in the late 1600s (Florek & Gazda, 2021).

Industrialization and globalization at the end of the 19th century fostered the development of brands and the resulting need for a clear designation of the place of origin of unbranded and supposedly lower-quality regional products. The very first legal indication offering protection to unbranded products based on the place of origin was the French mark for wines in 1935. This kind of trademark now exists for all agricultural products in the world. The protection of this kind of industrial trademark was initially just regional but is now global. In 1883, claims were made in England, for the first time, for Scotch whisky with certificates of age, in order to mark it as authentic. Treaties have offered for years the possibility of registering both appellations of origin and GIs on the basis of the Paris Convention. The agreement is also focusing on the protection of these products. In 2002, the European Union and 24 other countries agreed to provide protection for appellations of origin at the international level for the first time.

4. Economic Implications of Geographical Indications

Even if the range of products labeled as GIs is steadily expanding, only a few of them are deliberately positioned at either the high end of the market or the low end with a recognized difference in product characteristics with respect to their GI counterparts. This appears primarily to be the case for agri-food products. GIs, as collective and often long-lasting forms of property rights, can influence the dynamics of agricultural

The Social Science Research Review

Volume. 1 Issue No. 1 (2024)

and food markets through their role in market organization and product differentiation. Market dynamics are the result of a constellation and often a negotiation between several forces. Among them, two opposing ones are particularly important in the case of GIs. On the supply side, the economic interests of producers – or at least a portion of them – find a convergence of interests in claiming product and, consequently, geographical exclusivity. This claim allows them to position themselves in the product space often reserved for such a product as a first mover and, therefore, possibly enjoy strategic advantages that other competing producers do not have the chance to benefit from.

One of the implications of GI products is the premium on their prices that makes the profitability of producing and trading non-GI products vanish, therefore obtaining producer support. The quest for premium pricing alone is, however, insufficient. The key requirement for GIs to be successful is a need for a method of developing supportive demand. This is not, however, equivalent to stimulating demand through a marketing campaign. Stimulating demand for GIs is more related to developing a brand and takes time. GIs can also become instruments for rural development; since they generate a premium, they can enhance the profitability of the local population, thereby stimulating growth in the area. In Europe, the areas concerned may suffer from fragile conditions, and one way to ensure that economic growth assists in sustainable development is to promote the area, which may have cultural and/or natural attractions. It is through the opening of channels for these traditionally produced products from this sensitive area to new markets that the basic goal can be achieved.

It is possible for products from regions that previously only sold through either local or national markets to export throughout the world. This would necessitate some improvement in hygiene, particularly for products sold in the wealthier part of the world. If the local population can obtain a premium on products sold in major European or world cities, then the increase in profitability will stimulate local economies, probably by seeking to assure the supply of goods and services needed to meet this increased demand. The economic pressure that would normally make it more profitable to ensure supply by creating larger, probably more uniform, holdings

is reduced by the premium. Once traditional systems of production are changed, the pressure on the environment may become an issue. Indeed, the disadvantage of GIs is that they demand a cultural resistance to change. This is because the link between the consumer and the non-material qualities is achieved through marketing, which is not just about advertising but also involves making other persons, such as the seller, testify that the consumer is buying something different. The seller must confirm these statements, and the consumer will always be suspicious, even in the absence of any scientific evidence (Xu et al., 2021).

4.1. Market Exclusivity and Premium Pricing

Described as “an icon of tradition, a symbol of pride and a sign of quality,” GIs transform products produced under a geographic indication into commodities that have a unique identity based on their origin, natural conditions of production, and often a long history of tradition. This exclusivity is based on creating products that are different from competitors, rather than simply making slightly different products. One of the key advantages of selling exclusivity is a reduction in competition (Muça et al., 2021) In contrast to the PVF, in which the label promises certain production methods, a label that promises market exclusivity merely needs to carefully control the number of producers producing under that label to guarantee that exclusivity. Such a promise enables producers to earn super-competitive returns. The concept of exclusivity has been so pivotal that the “super-premium” label has been introduced by researchers, which has led to accusations of uncontrolled hype.

This market strategy, known as premium, gourmet, or specialty pricing, has proven to be tremendously successful in various forms. Brand-name gourmet products are explained as meeting five criteria: they are made by using “particular values” (in a PVF, this could be local or organic) in a way that contributes in some way to “human civilization” (this is maybe tied to the unique place). This recognition of the price of desire allows companies to make handsome profits on minuscule sales. Rebuilding the Farm also offers a wealth of case studies examining successful endeavors to turn a local product into a global brand through pricing. The popularity of an “indicative and premium” product is attributed to shifts in both economic and ideological trends towards locally specific and niche products (Crescenzi et al., 2022).

4.2. Promotion of Rural Development

GIs are instruments proper to reinforce rural development and territories, restoring value to local resources and reducing market dependency. Information activity enhances the visibility of distance producers by focusing on SME sustainable territorialization. Domestically, one of the policy spins of a number of national GIs is related to development, i.e., contributing to the attractiveness of those areas that use a GI, or leading to the concrete creation of jobs via the promotion of geographical areas. In Italy, in particular, the Slow Food movement has endorsed the promotion of this function of GIs. Internationally, a few GI initiatives have tried to include rural development components in their GI strategy.

The Champagne Committee of France uses this rationale, while the DOOR Office of the European Community has used GI to enhance the touristic interest of several regions. Typically, rural development leads to tourism promotion. There is a long-term discussion among policy planners about the specific role GIs can play for a new commercial activity. Both in theory and in practice, the standards of what it takes to be a successful GI set the degree of attunement between economic and non-economic objectives set by the rural development strategy. Some GIs stress the role of technology in defining GIs. These groups tend to have an industrial-commercial view of the agro-food world. GIs worldwide are also looking at rural development from a socio-cultural perspective, linking together modern technologies and tradition and a sense of territory or place. The socio-cultural view is an expression, possibly also a marketing tool, of local tradition, leading to associative and local development. In the Basque Country, for instance, producer-consumer associations and cooperatives are an expression of this approach to the agro-food world.

Incentives to collective action, using a bottom-up approach; volume strategy (faithfully applying resource constraints, this means saturating the local market before looking at big European metropolises). Also, the paradox of both losing the possibility to intrude in the European market and enabling potential European customers to access their excellent, as yet invisible, new products; creating a horizontal and a vertical network of actors involved in rural development around the markers of origin in order to improve access to local natural resources and guarantee sustainable

The Social Science Research Review

Volume. 1 Issue No. 1 (2024)

management; demonstrable increase in local crop diversity or live species; providing tourist technical services in trying to benefit from the growing number of tourists that can visit various countries; fostering the cultivation of local fruit and the activities on and around a typical farm in order to showcase and transmit these disappearing cultural characteristics; creation of at least 2,000 extra jobs relating to GI production, processing, marketing, as well as tourism and complementary services; most importantly, making it financially appealing to produce in these areas and keeping the respective regions and villages alive, very much in line with local social values. Open the door to at least 15-20 million US dollars of foreign direct investment both in the primary sector as well as services; contribute to the improvement of relations between the private sector and the State Ministry of Agriculture and the state legislative branch; obtain specific attention from the European Union and accede to an emergency status as far as specific commodities are concerned and receive some subsidies under the Common Agriculture Policy.

5. Geographical Indications in International Trade Agreements

Geographical indications (GIs) have become increasingly significant in global trade, forming an important part of different international trade agreements in recent years. A number of trade agreements have entrenched protection for GIs, implying that they have to be taken into account in every international trade agreement. Most importantly, effective promotion of gastronomy relies on GIs. International regulatory mechanisms require or at least provide for enhanced protection for GIs. Despite the central role of GIs in the international trade arena, not every international legal framework of free trade offers clear protection for GIs because of country-specific aspects or differing historical, legal, political, and economic backgrounds around the world and, therefore, different levels of acceptance and understanding of GI issues (Menggala et al.2021).

GIs enhance their owners' bargaining power and market access, safeguard the rights of consumers choosing particular regional products according to their specific qualities, and foster respect for an area's traditional gastronomy and culture. In light of the GI-DPI players, the scope of free trade issue selection has varied in the rights attached to the name and the goods and should not be applied to prejudice. Conflicts

or disputes have arisen in accordance with the Agreement on TRIPS, particularly between economically advanced and developing countries, which have different approaches to international systems of free trade. Geographical indications have been increasingly recognized in the international trade agreement system primarily because of their role in the protection of indigenous products, promotion of fair trade practices, and the consumer's right to access information. There has been debate on whether the standards for GI protection should be harmonized under a multilateral system or whether GIs should be dealt with in individual agreements that take into account economic development and the region or country under consideration. It has also arisen in discussions of the inclusion of GIs in free trade agreements, in which the United States, Mexico, and Canada had widely differing approaches to the protection and enforcement of GIs. As part of the issue of international trade, GIs have attracted more attention at multilateral and regional trading levels. At the multilateral level, interest in GIs was registered in the unsuccessful multilateral trade negotiations that took place under the General Agreement on Tariffs and Trade. In the Uruguay Round of multilateral trading, member countries attempted to include protection of GIs as an additional aspect of trade-related intellectual property in draft agreements but completely failed to reach an agreement (Rabadán et al.2021).

References

- Bartoli, C., Bonetti, E., & Mattiacci, A. (2022). Marketing geographical indication products in the digital age: a holistic perspective. *British Food Journal*. [researchgate.net](https://www.researchgate.net)
- Cassago, A. L. L., Artêncio, M. M., de Moura Engracia Giraldo, J., & Da Costa, F. B. (2021). Metabolomics as a marketing tool for geographical indication products: a literature review. *European Food Research and Technology*, 247(9), 2143-2159. [springer.com](https://www.springer.com)
- Crescenzi, R., De Filippis, F., Giua, M., & Vaquero-Piñero, C. (2022). Geographical Indications and local development: the strength of territorial embeddedness. *Regional Studies*, 56(3), 381-393. [tandfonline.com](https://www.tandfonline.com)
- Flinzberger, L., Zinngrebe, Y., Bugalho, M. N., & Plieninger, T. (2022). EU-wide mapping of 'Protected Designations of Origin' food products (PDOs) reveals correlations with social-ecological landscape values. *Agronomy for Sustainable Development*, 42(3), 43. [springer.com](https://www.springer.com)

The Social Science Research Review

Volume. 1 Issue No. 1 (2024)

- Florek, M. & Gazda, J. (2021). Traditional food products—Between place marketing, economic importance and sustainable development. Sustainability. [mdpi.com](https://www.mdpi.com)
- Menggala, S. R., Vanhove, W., Muhammad, D. R. A., Rahman, A., Speelman, S., & Van Damme, P. (2021). The effect of geographical indications (GIs) on the Koerintji cinnamon sales price and information of origin. Agronomy, 11(7), 1410. [mdpi.com](https://www.mdpi.com)
- Muça, E., Pomianek, I., & Peneva, M. (2021). The Role of GI Products or Local Products in the Environment—Consumer Awareness and Preferences in Albania, Bulgaria and Poland. Sustainability. [mdpi.com](https://www.mdpi.com)
- Pick, B. & Marie-Vivien, D. (2021). Representativeness in geographical indications: A comparison between the state-driven and producer-driven systems in Vietnam and France. Sustainability. [mdpi.com](https://www.mdpi.com)
- Rabadán, A., Martínez-Carrasco, L., Brugarolas, M., & Bernabéu, R. (2021). Perceptions of geographical indication labels as quality indicators inside and outside the labels' area of influence: The case of spring fruits. Renewable Agriculture and Food Systems, 36(6), 569-575. [\[HTML\]](#)
- Xu, F., Kong, F., Peng, H., Dong, S., Gao, W., & Zhang, G. (2021). Combining machine learning and elemental profiling for geographical authentication of Chinese Geographical Indication (GI) rice. npj Science of Food. [nature.com](https://www.nature.com)