

Empirical Investigation of Fraud Practices in GI initiatives in France and Vietnam

Actors, Types & Drivers

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- Fraud practices can be defined as the use of the GI name and/or logo for products that are not elaborated according to the rules of the GI specification and that do not originate from the GI area
- Growing number of instances of misappropriation of origin names
 - ✓ About 40 million kilograms of tea are sold worldwide as Darjeeling tea every year, while the production of genuine Darjeeling tea is only 10 million kilograms
 - ✓ The usurpation of the name 'Karoo lamb' (from South Africa) is commonplace
 - ✓ The value of GI infringing products in the EU represents € 4.3 billion per year, constituting 9 % of the total volume of products sold as GI
- Important function of GIs: to protect consumers and producers' interests against fraud and unfair competition practices by preventing name usurpation which results in loss of revenue for the genuine producers while misleading consumers in their purchasing decisions

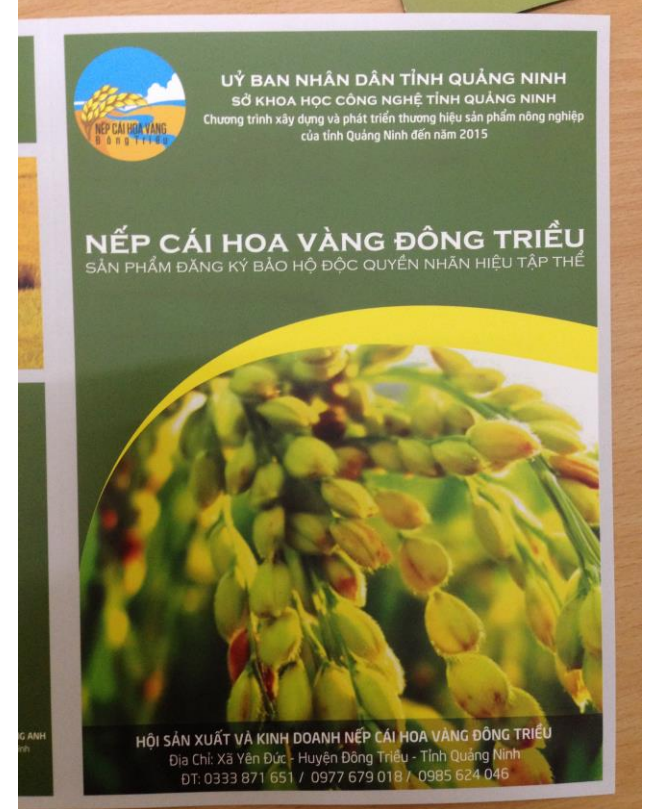
CASE STUDIES

- France:

- Bouchot mussels from the Mont St Michel Bay (2006; 2011)
- Pélardon cheese (2000; 2001)

- Vietnam:

- Sticky rice from Dong Trieu (2013)
- Star anise from Lạng Sơn (2007)
- Fried calamari from Hạ Long (2013)



RESULTS

■ Before the GI registration :

- ✓ Fried calamari from Hạ Long: the name was being used on squid products that came from the neighbouring Quang Yên District
- ✓ Bouchot mussels from the MSM Bay: 20,000-30,000 tonnes of mussels were sold every year under the name 'Mont Saint-Michel' while only 10,000-12,000 tonnes were grown in the area
- ✓ Pélardon cheese: the name was being used on goat cheeses produced in Spain where production costs were lower, which resulted in cheeses sold as 'Pélardon' with rock-bottom prices

■ After the GI registration :

- ✓ Fried calamari from Hạ Long: some producers were found to use more flour and less calamari than prescribed by the GI specification to reduce production costs
- ✓ Sticky rice from Dong Trieu : some farmers mix sticky rice with normal rice which is easier and less costly to grow
- ✓ Star anise from Lạng Sơn : use of the GI logo by the company as a private trademark on the packaging of both star anise and other products like cinnamon

Star anise from Lạng Sơn : use of the GI logo on cinnamon



Discussion

1.

Fraud practices before the GI registration

Perception of a common risk led local actors to seek a GI protection



External actors

free-riding on the established reputation of the name in the marketplace



Common characteristic: strong reputation on the market

2.

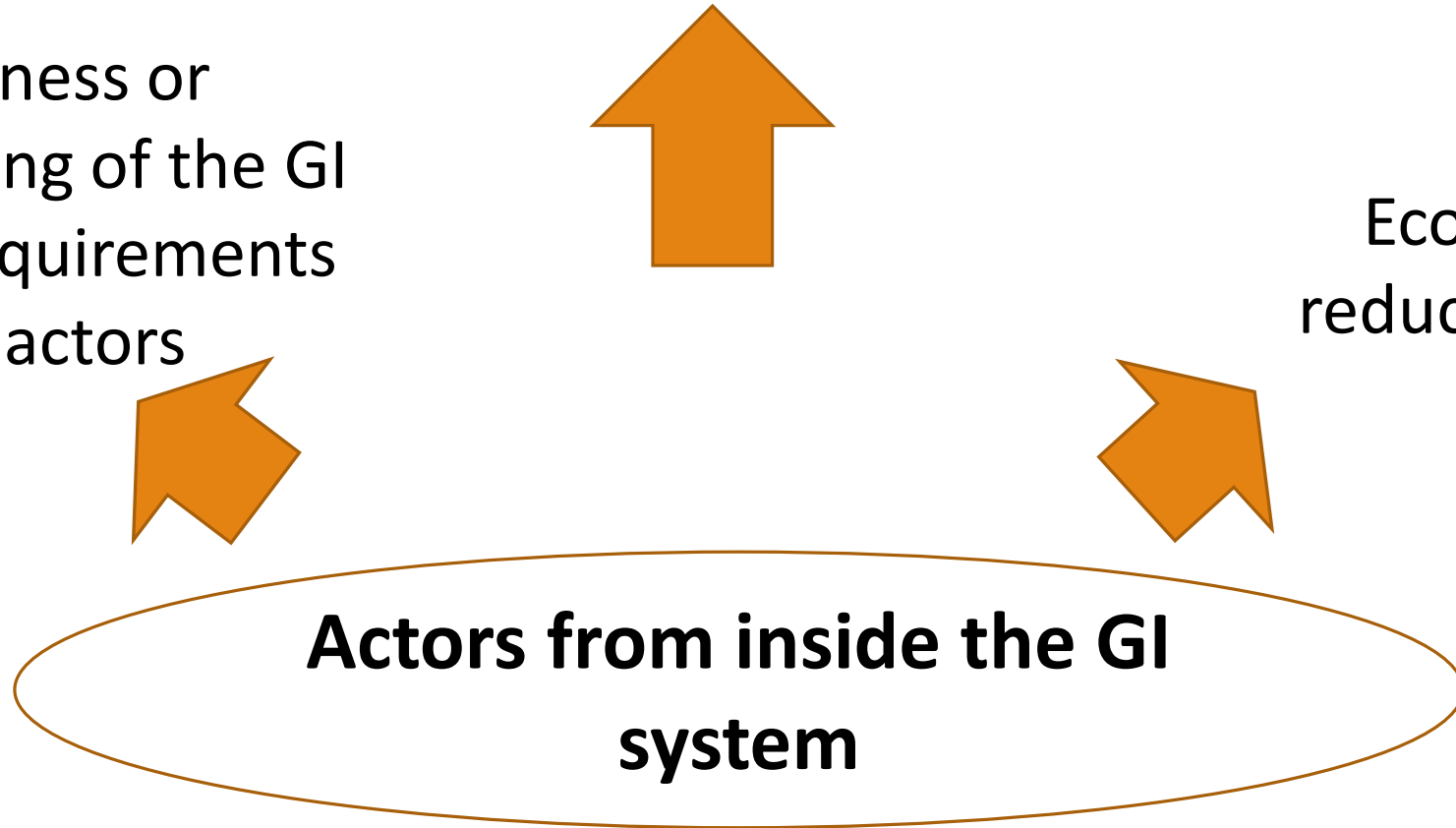
Fraud practices after the GI registration

Top-down approach to GIs:

little understanding, adhesion and commitment of local actors

Low awareness or
misunderstanding of the GI
concept and requirements
among GI actors

Economic interests:
reduction of production
costs



3.

Quid of the quality control systems?

■ Quality controls in France

- Regulation 1151/2012 requires MS to designate the competent authority(ies) responsible for official controls
- The establishment of quality control mechanisms is a prerequisite for the recognition of GIs in France: (1) self-monitoring; (2) internal controls; (3) external controls
- GI producer groups can choose the certification body for the external quality controls

■ Quality controls in Vietnam

- GI applications in Vietnam must include information on self-control mechanisms only
 - No requirement as per internal and external control plans
 - State management of external quality controls : high number of state agencies involved with unclear, undefined or redundant functions
- Problems of efficiency, consistency, coordination and non-transparent practices

Conclusion & Recommendations

- Fraud and unfair competition practices may derive from both inside and outside the GI system.
- Before the GI registration, outside actors may free-ride on the reputation of the products and the commercial success of the origin names.
- After the GI registration, these practices may be conducted by inside actors in contexts where the post-registration stage is not adequately organised at both the regulatory and practical levels and where the over-involvement of the state results in little understanding and adhesion of local stakeholders while creating opportunities for non-transparent practices.

- Identify and characterise the Critical Points of Frauds (CPF) in the supply chains, also considering online sales
- Increase understanding of why fraud practices develop, how they are likely to evolve, and how they can be prevented and effectively countered by efficient control systems, appropriate legal and institutional measures and better awareness, understanding and adhesion of local actors
- Co-create solutions with stakeholders for each of these CPF
- Strengthen the control systems and improve the existing legislative framework, including on e-commerce
- Use of innovative tools (field-deployable solutions to support the early detection of adulteration of products), lab-based analytical strategies and confirmatory methods, traceability systems and analytics to authenticate GI-labelled products

Thank you
for your attention

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