

# International trade effects of GIs - Theoretical analysis

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# Outline

- Main aspects of the theoretical model
- Stylised facts of GIs and implementation in the model
- Policies and results

# Main aspects of the model

- Two sectors: GI and non-GI
- Model of international trade
- Horizontal product differentiation

# GIs: Stylised facts

- **Craftsmanship in production** process and specific land characteristics (GI producers less productive on average than industrialised producers)
- **Reputation of GI label** (Collective reputation via GIs can help firms to gain private reputation and makes market entry less costly)
- **Collective management** of GI label (Part of the costs of advertising and monitoring the market are shared among all producers who use GI label)
- **International GI protection** (Including GIs in an international agreement obliges signing members to protect the GI in their markets)

# Policy Analysis

- **Domestic GI protection** (strengthening of GI producer groups)
  - Motivation: **EU regulation** proposal on GIs suggests extending the responsibilities of GI producer groups with regard to promoting and protecting GI label
  - In the model: A subset of domestic production cost is shared among all GI firms in the producer group
- **International GI protection** (inclusion of GI in international agreement)
  - Motivation: Inclusion of many GIs in recently negotiated **free trade agreements by the EU** (e.g. CETA), obliging signing members to protect GI label in their markets
  - In the model: A subset of exporting costs is covered by public institution in the foreign market(s)
- **Simulation exercises** based on theoretical model
  - Domestic and international GI protection are complements
  - Optimal level of international GI protection additionally depends on level of craftsmanship and reputation of GI label

Thank you for your attention!