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!