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The international trade impacts of Geographical Indications: hype or hope?

Fabrizio De Filippis ⁽¹⁾, Mara Giua ⁽¹⁾, Luca Salvatici ⁽¹⁾, Cristina Vaquero-Piñeiro ⁽²⁾

Abstract – The European Geographical Indication quality scheme is supposed to enhance local expertise and support spatially-embedded products in being competitive around the world. Among the effects generated by GIs, the one on trade is still controversial. In general, the impact of GIs in terms of international trade seems to be positive, but a full consensus is still missing. Examining the existing literature, this paper attempts to identify and summarise the results' heterogeneity using a meta-analysis approach. Results confirm a positive effect of GIs on trade, even after controlling for the effects of various characteristics of the studies, the methodology adopted and for publication impacts.

Keywords – geographical indications, trade agreements, trade flow, meta-analysis

INTRODUCTION AND LITERATURE

The Geographical Indication (GI) quality scheme by definition, represents a guarantee of the uniqueness of a product embedded in the environmental characteristics and cultural know-how of a given region (Vaquero-Piñeiro, 2021; World Trade Organization (WTO), 1994). During the Uruguay Round, with the 1995 multilateral TRIPs Agreement, GIs were introduced for the first time into international trade treaties by setting the minimum standards that every WTO Member States must respect. Since then, this form of certification has attracted attention across the world, and several countries have used bilateral agreements to protect their agricultural products and foodstuff. Nowadays more than 200 bilateral and multilateral World Intellectual Property Organization (WIPO) and World Trade Organization (WTO) agreements include GI regulations. GIs are assumed as a non-tariff measure related to intellectual property rights in trade (UNCTAD, 2019; Saavedra-Rivano, 2012; Chambolle and Giraud-Heraud, 2005). At the national level, countries adopt different approaches to protect GIs, with EU accounting for the most articulated and comprehensive *sui generis* scheme.

Becoming a GI could provide competitive benefits for agri-food products in both domestic and global markets (Raimondi et al., 2020). Literature on whether and to what extent obtaining GI certification increases trade and territorial openness is quite controversial, with some studies finding large positive effects, other insignificant and yet other even negative effects. A consensus on the real effects of GIs on international advantages is far from being reached (Chilla et al., 2020). Examining existing results provided by the literature, this paper attempts to explain such heterogeneity through a

meta-analytic approach, which allows to integrate and summarize all comparable estimates and quantify their average effect (Stanley and Doucouliagos, 2019).

RESEARCH DESIGN AND METHODOLOGY

We collected English-language published and unpublished papers studies explicitly focusing on GIs from online databases for academic articles by using a set of ad hoc keywords related to GIs and international competitiveness. In addition to peer-reviewed papers, we review cross-references and cross-cited papers, national and international reports, working papers and conference contributions. Our final sample is composed of 15 quantitative studies providing 512 point estimates measuring the strength of the GIs-trade relationship (all selected articles include more than one observation). The meta regression model (1), known also as 'Egger test', provides the Funnel asymmetry test – FAT ($H1: \beta_1 \neq 0$) for detecting asymmetries in the results, which could be a hint of publication impact (Egger et al., 1997): in the absence of publication impact, the magnitude of the reported effect will vary randomly around the "true" value, independently of its standard error, and β_1 will be equal to zero. In addition, with the Precision effect test - PET ($H1: \beta_0 \neq 0$), model (1) verifies whether there is a genuine empirical effect remaining after potential publication selection and β_0 may be considered an ideal average of the estimations of the effect.

Since papers investigate the international effects of GIs in terms of different trade measures To obtain comparable estimates, we standardized the effect sizes by calculating the partial correlation coefficient (PCC). At the same time, to guarantee comparability between studies using dummies and continuous numerical variables to account for GIs, we considered two separate sub-samples (Cipollina and Salvatici, 2010). Lastly, in order to deal with potential bias due to other differences of the estimations analysed we use precision-effect estimate with standard error- PEESE.

As a second step, we attempt to determine the drivers of the heterogeneous impacts of GIs on trade by adding a set of explanatory variables that filters out potential biases and explain the systematic variation across the observation i of the paper j .

RESULTS AND CONCLUSIONS

Our study confirms that GIs lead an overall increase in intra and extra EU trade. Higher impacts are estimated by papers capturing only the GIs status (using 'eligibility' dummies) instead of considering more detailed measure of GIs through continuous variables (e.g. the precise number of GIs in a certain area). Impact estimates tend to be higher also in the case of studies analyzing the wine sector or the PGI productions. In the same direction go

¹Department of Economics and Rossi-Doria Centre, Roma Tre University
Department of Economics, Roma Tre University(cris-tina.vaqueropineiro@uniroma3.it)

those estimates coming from simple cross-section analyses, able to control for less observable variation than more sophisticated models (e.g. panel, IV). Shortcomings in data accuracy and econometric approaches bring about additional sources of estimation bias. The PEESE MRA model allows us to obtain a better estimate of the size of the genuine effect corrected for asymmetry. Although our main contribution is methodological and it can be summarised as a systematic explanation of the literature, this paper sheds new light on the fact that GIs, thanks to the endorsement of local forms of production and embedded characteristics on a global scale, represent a relevant policy tool for the internationalisation of agricultural products as well as for the territorial openness of their region of origin. All in all our results support the literature according to which GIs, represent a relevant policy tool for agri-food productions when competing in global markets since the GIs scheme promote international trade and territorial openness. From a policy perspective, this paper provides evidence that policy makers should invest more in protecting local embedded agri-food productions, especially in specific cases as wine growing. In fact, with limited resources (the GIs scheme does not absorb a significant share of any heading of the EU budget) the EU is allowing its rural areas to be part of the globalization by being local: the GIs scheme allows local productions to be unique and not substitutable by correspondent standardized and space-blind productions that dominate global flows.

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