

# POLICIES & REGULATIONS FOR A THRIVING CANADIAN AGRI-FOOD SYSTEM

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## Poster 8

### GEOGRAPHICAL INDICATIONS AND TRADE WITHIN THE EUROPEAN UNION

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The protection of geographical indications (GIs) is a very controversial subject at the World Trade Organization as well as in the negotiations of bilateral trade agreements like the Canada-European Union Trade Agreement (CETA). This is mainly because different countries have very different views on how to go about protecting GIs. North American countries favor trademarks because they believe that the “know-how” can be transferred across geographical boundaries and that it is possible to replicate or even improve on ancestral production processes developed in a given region. Parmesan cheese and Parma ham are examples of products manufactured and marketed under these names in Canada. The European Union has promoted a « terroir » approach, which grants a monopoly of the GI to producers located in a specific region. GIs provide information to consumers and can expand the degree of product differentiation and international trade. However, it is feared that GIs could also induce trade diversion and hurt exporting countries that have few or no GIs. We shed some light on this issue through the estimation of a gravity model estimated on data on trade between EU countries. Intra-EU trade is not subject to trade taxes, all EU countries are subject to the same law regarding the protection of GIs and non-tariff barriers are not likely to be as potent as with trade between EU and Non-EU countries. Italy, France, Spain and Portugal have many GIs, but Romania, Malta, Lithuania, Bulgaria and Estonia do not have any. Our results confirm that pairs of countries that have GIs trade more. We did find evidence of trade diversion and of increased domestic bias.