GIs are not a magic potion, but they are certainly a powerful tool.

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“The enduring competitive advantages in a global economy lie increasingly in local things – knowledge, relationships, motivation – that distant rivals cannot match.”

Michael Porter (1998)

ABSTRACT

Purpose - Researcher pays relatively impressive attention to the study of investigating the economic impact of well functioning geographical indication from developing countries. The author surveys the available literature GIs and related data from authenticated sources with particular emphasis on international market and argues that researchers should have much to offer to advance our understanding of GIs impact on economy and urges scholars to conduct such research. This paper accounts the theoretical and methodological contribution. According to the study, GIs provide for quality controls and the findings are supportive of GIs generating producer benefits.

Methodology/approach

The data for the study were drawn from sources of FAO and WIPO.

Objectives

➢ To analyse the growing interest in GIs as the context to conduct an economic analysis of issues related to GIs.
➢ To analyse the economic rationale for GIs protection
➢ To analyse and draw attention to protect the geographical denomination of Basmati

**Findings** – Findings from this study will provide better insights for policy makers in developing countries while negotiating with developed country counterparts at international settings, and also while implementing Trade Related Aspects of Intellectual Property System (TRIPs) mandated GI protection. Further, such a review will help us to identify the issues that need to be addressed in future studies. The Author argued that countries must select their agricultural GIs very carefully as the confluence of product familiarity in international markets and land ownership patterns needed for the generation and widespread distribution of benefits will be rare events.

**Originality/value** This paper takes inventory on how geographical indication has contributed to economic research. It serves to validate current efforts while encouraging continued progress.

**Keywords:** Geographical indication; Basmati rice; Methodology; Geographical indication databases

**Introduction**

GIs are now increasingly perceived as an opportunity in many countries that have unique physical and cultural attributes that can be translated into product differentiation. These physical and cultural assets form the basic value-giving characteristics upon which GIs are built. A GI signals a link not only between a product and its specific place of origin but also with its unique production methods and distinguishing qualities. A certain market credibility and authenticity are therefore implicit in many GIs. GI can, be a unique and powerful tool when adequately managed. GIs can offer a comprehensive framework for rural development since they can positively encompass issues of economic competitiveness, stakeholder equity, environmental stewardship, and socio-cultural value. GIs are associated with unique products that embody rich cultures and history.
They can also be lucrative billion-dollar businesses and as popular as any international brand names.

**Themes emerging from the research**

**GIs are gaining in importance.**

They are valuable assets, like brands, that can play a vital role in consumer marketing and competing for a greater share of global trade. Noting the successful use of GIs in some parts of the world, more countries have started to seek out and utilize similar tools to increase their competitiveness, stimulate rural development and improve the livelihoods of their producers.

**GIs are unique.**

Trust and authenticity are implicit in GIs, making them powerful instruments in today’s markets. They differentiate themselves from commodities usually in terms of both quality and price. Most fulfil particular standards and thus comply easily with the basic supply chain requirements of the world’s major retailers and distributors. GIs possess many of the characteristics of quality brands with intrinsic distinctiveness that sends a message to consumers that are seeking an alternative to increasingly industrialized and homogenized agri-food products.

**GIs are local.**

Via market mechanisms, GIs recognize and support the concept of ‘local’. There is evidence that the potential long-term value is not only economic (jobs, greater income, tourism) but also social in terms of the recognition of customary and value-adding traditions that convey a very local sense of a people, their history and their relationship to a place.

**GIs make culture tangible.**

The distinctions of a GI allow recognition of a tangible “product-service-place” dynamic to be shared and even traded with other cultures. In this way a GI can coalesce a human-scale exchange that represents globalization at its best by
simultaneously fostering trade and also acknowledgement for things that are intrinsically local in nature.

_GIs are not for everyone._

They must have sufficient uniqueness to facilitate commercial promotion. They require years of investments, good management and structured legal protection to succeed. Even then, they may not benefit the poor very much.

For producers, GIs convey unique characteristics that allow them to distinguish their products and break out of the commodity trap of numerous similar and undifferentiated products trading primarily on price.10 GIs may also provide a measure of protection for the intellectual or cultural property of a particular group or place and, as such, can contribute to a unique and not easily assailable form of competitive advantage.

For rural areas, GIs can provide part of the physical and conceptual structure for affirming and valuing the unique socio-cultural and agro ecological characteristics of a particular place. They also tend to have positive spillover effects in terms of improving the reputation of a region, influencing other products in the region, and fostering tourism. As markets and rural policy increasingly come to grips with local products and local values, GIs can sometimes provide the necessary framework for the discussion and management of such processes.

_GIs can offer specific business development benefits_

The literature suggests that they tend to: _Impact beyond a single product focus and can serve to promote interrelated products and services in the GI region; _Potentially foster clustering and rural integration because not only producers, but also traders, processors, exporters and supply chains, interact at the local or regional level; Use fewer external intermediaries and participate in various forms of downstream “partnership” with the private firms that drive the GI recognition at the consumer level; _Offer improved market access and increased incomes when compared to similar non-GI products.
Basmati rice and Geographical Indication

Basmati is well renowned as the most aromatic rice over the world. Populated urban markets are prone to accept a premium to Basmati, whom price is the highest for rice on trade and domestic markets.

Although closing at an overall normal range of 95 percent of the long-period average (LPA), the 2017 southwest monsoon in India proved somewhat uneven in its distribution across time and space. A strong start to the rains was followed by dryer conditions in August and September, when precipitation fell to 87 and 88 percent of the LPA. Northwestern and southern parts of the country withstood the brunt of this dryer second half of the monsoon season, while floods were hitting northeastern and norther-western states. Authorities report that by 28 September the 2017 main (Kharif) crop covered 37.9 million hectares, down 330 000 hectares year-on-year. Most of this small retrenchment took place in Maharashtra and southern states facing precipitation shortages, but cuts also concerned Punjab, where farmers favored cotton over paddy, amid prospects of better returns. This tendency spread to the fragrant sector, where an 8 percent increase in acreage of the higher yielding Pusa Basmati 1509 variety would have been far outweighed by an 11 percent cut in plantings of Pusa 1121 and a 4 percent reduction in Pusa Basmati 1 acreage.
International prices recover, but increases capped by subdued Indica demand Since hitting a 14-month low in November 2018, international rice prices have tended to move up. This has been reflected by the FAO All Rice Price Index (2002–2004=100),
which averaged 222.2 points in April 2019, 3.5 percent higher than in November 2018. The increase was driven by a rebound in medium/short grain quotations, sustained by the launch of a series of Asian import tenders, undertaken in the context of poor supply prospects for drought-stricken Australia and Egypt's shift from a supplier to a net importer of rice. Although this bullish Japonica sentiment tended to subside during April, the Japonica Index still stood 8.4 percent above November levels that month, at an average of 264.1 points. A stronger Thai baht and general inflationary pressure in Pakistan have likewise underpinned a 5.2 percent rebound in the Aromatic Index to 217.2 points, but these increases have contrasted with continued declines in the prices of the most widely traded Indica varieties. In this segment, persistently thin import demand from important buyers, such as Bangladesh, China, Indonesia and Nigeria, outweighed support provided by currency appreciations in India and Thailand, along with concerns over the impact of short water availabilities to irrigate secondary crops in both countries. Largely as a result of the bearish undertone lingering in the Indica market, the January-April 2019 average of the Indica index remained 2.2 percent below its value in the corresponding period in 2018, at 221.9 points.

### Exports From India of Basmati Rice

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<th>Sr No.</th>
<th>Country</th>
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Source: DGCIS Annual Export

### Exports From India of Basmati Rice

- **Value (INR)**: 107,900.02, 65,490.07, 27,957.5, 20,552.2, 14,647.4, 12,312.9, 11,805.2, 7,476.41, 6,7318.9, 5,3120.6
- **Qty (Units)**: 148,369.8, 86,774.1, 38,573.3, 28,237.8, 20,192.7, 15,474.8, 13,560.8, 11,192.5, 8,7830.7, 7,3568.2
Basmati Rice industry expected to achieve highest ever exports in FY 2019 and FY 2020: ICRA

The momentum of the current fiscal is likely to percolate into the next fiscal, FY20 as well with the expectation of 4-5% growth in exports, given the high base, as per ICRA. The Indian Basmati rice industry is on the verge of clocking its highest ever exports of around Rs30,000cr in FY19 (previous high of Rs29,300cr in FY14). The growth has been fuelled by considerable firming up of average realisations, strong demand from Iran and steady increase in paddy prices for three years in a row. As per an ICRA note, the momentum of the current fiscal is likely to percolate into the next fiscal, FY20 as well with expectation of 4-5% growth in exports, given the high base. Deepak Jotwani, Assistant Vice President, ICRA, says, “It is important to note that this growth has been despite some challenges that surfaced during FY19 - pesticide residue issue leading to a decline in exports to European Union (EU), Saudi Arabia mulling adoption of stringent pesticide rules, payment issues from some Iranian importers and uncertainty due to imposition of trade sanctions on Iran by the US Government. The stringent pesticide norms by EU led to loss of exports worth around Rs1,000cr in 9MFY19, and the same could exacerbate going forward. Nevertheless, the fact that EU contributed around 8% to the exports till FY18, allowed for the loss to be compensated by exports to the Middle Eastern countries”.

“Further, the industry has been able to tide through most of the other issues, as demonstrated by the steady increase in exports to Saudi Arabia and the establishment of the rupee payment mechanism to facilitate future trade between India and Iran, its prime market for Basmati exports. However, overall, tightening of pesticide residue norms by key importers could be a long-term risk for the industry,” Deepak Jotwani added.

Continuing the momentum from FY18, India has already exported Basmati rice worth Rs24,919cr (3.37 million MT) in 10M FY19, 17% higher than Rs21,319cr (3.28 million MT) in the corresponding period in the previous fiscal. Like the
previous fiscal, growth in the current fiscal too has been driven by firming up of average export realisations (14%), while the volumes have only been marginally higher (2%). Over the next few quarters, demand in the export market is likely to remain steady (also supported by resumption of imports by Iran), thereby driving the industry exports in FY19 to the highest ever level of almost Rs30,000cr.

As per ICRA, the average export realisations have firmed up to Rs74,053/MT in 10MFY19, against Rs64,997/MT in 10MFY18, on the back of multiple factors namely increase in paddy prices over the previous and current year’s procurement season, aggressive buying by Iran in the first half of the fiscal due to the uncertainty at that time regarding imposition of US trade sanctions and its impact on trade between India and Iran; and depreciation of the rupee against the USD.

Basmati paddy prices have been on an increase for two years (FY17 & FY18) in a row. In the current fiscal as well, basmati production has been lower by around 5%, attributable to some decline in area under cultivation as some farmers shifted to non-basmati due to a considerable increase in its Minimum Support Price; and some loss of the standing crop due to untimely rainfall in some of the key Basmati rice-growing states. Consequently, paddy prices have firmed up by 10-15% across varieties, third year in a row. Hike in Basmati rice average realisations is likely to sustain in H1 FY20, given the increase in paddy costs in the recently concluded procurement season and steady international as well as domestic demand outlook.

“However, the strong growth in the current fiscal also foretells the need to be cautious. The inventory funding requirements of the industry have been increasing thereby accentuating price risk. In such a scenario, minor dip in international demand, especially given high concentration in one country for almost a third of the total exports, renders the industry vulnerable to some extent. The industry may be at the peak of the paddy price cycle, which was last witnessed in FY14 before the prices corrected sharply. Industry participants would need to be cautious about this and be prudent with their inventory holding,” Jotwani concludes.
How many GIs are in force worldwide?

Data received from the 92 national/regional authorities that shared their 2018 data with WIPO reveals that 65,900 protected GIs are in existence. Furthermore, to minimize double counting, the 4,968 European Union (EU) GIs in force in each of the EU member states are counted once only rather than multiplied by the 28 member states. The offices of the upper middle-income countries account for 43% of the total GIs in force in 2018, followed in turn by the offices of the high-income (42.3%) and lower middle-income countries (14.7%). In terms of regional distribution, Europe had the largest number of GIs in force across all regions, accounting for 57.4%, followed by Asia (28.3%) and Latin America and the Caribbean (8.4%). Figure 5.1 shows the total number of GIs in force for each selected national/regional authority, while figure 5.2 reports data on GIs in force for the EU member states. Germany had the largest number of GIs in force (15,566) in 2018, followed by China (7,247), Hungary (6,683), Czech Republic (6,285), Bulgaria (6,038), Italy (6,015) and Portugal (5,998). There are several middle income countries with a large number of GIs in force within their respective jurisdictions; for example, in 2018, 4,732 were in force in the Republic of Moldova, 4,499 in Bosnia and Herzegovina and 4,426 GIs in force in Georgia. In contrast, India (330) and Brazil (68) – two of the larger middle-income countries – had considerably fewer GIs in force. GIs in force relating to “wines and spirits” accounted for 51.1% of the 2018 total, followed by agricultural products and foodstuffs (29.9%) (figure 5.3). Handicrafts accounted for 2.7% of the total. China, Hungary, India and Viet Nam each had more than 100 GIs for handicrafts in force within their jurisdictions in 2018. Indications relating to services amounted to 34 GIs in 2018, mainly reported by the United States of America (U.S.) (17 GIs) and Viet Nam (12 GIs).

China had more than 7,200 GIs in force in 2018

Geographical indications in force for selected national/regional authorities, 2018
SUGGESTION:

- “Give full play to the role of trademarks and geographical indications for agricultural products in the process of agricultural industrialization, and carry out a number of elite projects for poverty alleviation by using IP”.
- Formulation of a working plan and launching the project for promoting GI utilization
- Give Full Play to the Role of GI in Alleviating Poverty and Realizing Prosperity
- Support enterprises with geographical indication products
- Provide guidance to SMEs on how to achieve business development via promotion of marketing and brand-building for their GI products.
- Publicize GI knowledge, cases and experiences at grassroots level
Further Improvement of GI System

- Explore the feasibility of drafting administrative regulations for the protection of GI products.
- Amend the Measures on Protection of GI Products
- Formulate examination guidelines and working rules for GI products
- Improve the standardization system for protection of GI products

Conclusion.

The paper presents economic impacts of nine GI “processes”. The research made show that the economic impacts are rather positive in all cases. This is partly due to the selection criteria of the products, that all meet the legal definition of the GI, and the collected evidences confirm the hypothesis when the basic conditions of registration of the GI are met, the economic impacts occur. The pathways to impacts were analysed and confirm well as well key elements found in a sparse way in the literature, that play a role in contributing to achieving positive economic impacts. The first element contributing to impacts is the existence of specific characteristics linked to the geographic place where the product comes from. The transcription of these characteristics in the code of practice, and the quality management system both contribute to the consistence of the differentiation strategy along time the public support is a major component that may boost or hinder the GI process, and therefore has a strong influence on the economic impacts. The aid given by the public sector may be relayed by the private sector, in efficient public-private partnerships. The limit of the involvement of the public hand is certainly the lack of empowerment of the value chain actors, which weaken the long-term efficiency of the producers’ organization.

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