

# How the EU's Geographical Indications scheme helps foster economic development in rural areas

*Products associated with specific locations in Europe, such as Roquefort and Parma ham, are protected under the EU's 'Geographical Indications' scheme. This ensures these products can only be legally sold if they are produced in specified areas. As **Riccardo Crescenzi, Fabrizio De Filippis, Mara Giua and Cristina Vaquero-Piñeiro** write, Geographical Indications play a vital role for local development in rural areas with limited public expenditure. They provide protection against reproduction elsewhere, facilitate an upward effect on pricing and quality reputation, and improve demographic trends and sectoral re-composition.*

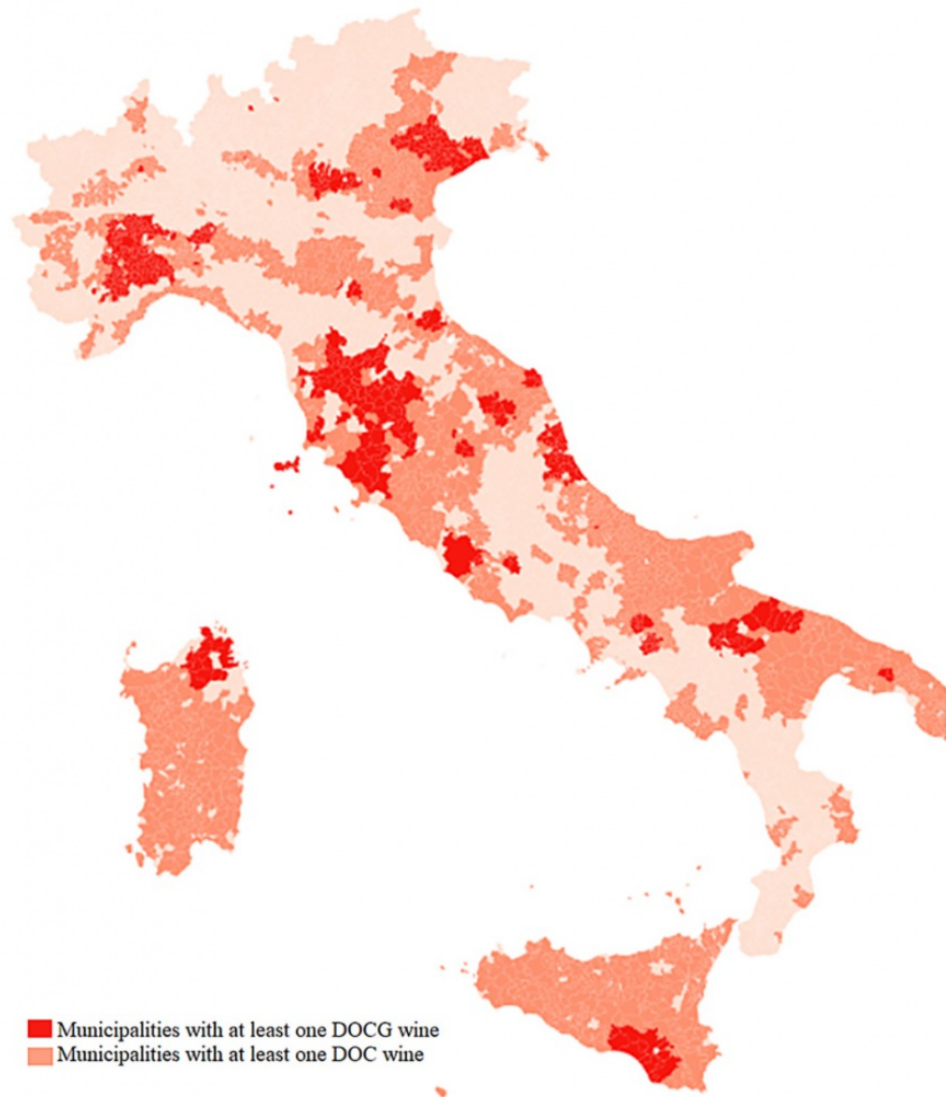
Geographical Indications (GIs) granted by the European Union to recognise and certify products associated with a specific region-of-origin and with traditional production techniques can offer tangible opportunities for local economic development in rural areas. By signalling to global markets and protecting unique agri-food products from unfair competition, they offer rural economies the opportunity to link up with global markets while retaining their uniqueness. The locality, with its features, history and traditions becomes part of the product itself, making it impossible to reproduce elsewhere.

The most renowned agri-food product that has benefitted from Protected Designation of Origin (PDO) or Protected Geographical Indications (PGI) is wine. In a [new study](#), we examine the role that GI-protected wine can play in the development of the rural areas where it is produced. We find that rural areas where wine production is protected by a GI experience lower population decline and a reorganisation of the economy towards higher value-added activities when compared with other rural areas with similar characteristics, but which are unable to rely on the protection and recognition offered by GIs. In other words, Geographical Indications play a propulsive role for local development in rural areas with very limited public expenditure.

## DOCG Wines

Our evidence comes from the case of Italy, one of the countries with the highest number of Geographical Indications. We focus on GI wines, for which Italy has a prominent role worldwide. In particular, we study the impact of DOCG (*Denominazione di Origine Controllata e Garantita*) wines, the top-level category of Protected Designation of Origin wines in the country, on the population trends and the employment variation in farm vs non-farm sectors.

## Figure 1: Map of Italian municipalities with and without DOCG wines



**Source:** Authors' elaboration based on data collected from Geographical Indication (GI) codes of practice.

In order to identify a causal impact, we use econometric models to compare municipalities with DOCG wines to a group of counterfactual municipalities that are similar in every respect, but without an acknowledged DOCG certification. This makes it possible to control for any time-invariant difference between the 'treated' (DOCG) and the 'control' municipalities, as well as for any time-variant aspect varying similarly across them, isolating the impact of GIs from any other factor that might affect the outcomes of interest.

### **Institutional strength**

Another relevant insight of our study is that participation in the GI scheme is a signal of strong local institutions. In order to be certified in the GI scheme, the product needs to pass a set of demanding tests regarding its uniqueness and linkage with the region-of-origin. This is approved if producers and local actors together obtain this result, reflecting a highly consolidated network of collaboration rooted in traditions. Due to these characteristics, the GI scheme can be regarded as a policy tool that facilitates and enables the translation of local informal institutions into formal space-sensitive regulations that are globally recognised.

Our study demonstrates the value of a formal and globally-recognised scheme that certifies the existence of distinct linkages to a product's region-of-origin. The GI scheme makes areas with strong local institutions capable of retaining and leveraging models of embedded productions to become competitive in world markets. This signalling tool can also generate an upward effect on product pricing and quality reputation.

These effects translate into revenues for producers and for a large number of local actors. They also eventually improve the attractiveness of the areas for producers and all other economic actors involved in the product's chain. This leads to positive effects in terms of demographic trends and sectoral re-composition, which have been identified as traditional indicators of local development in rural areas.

## Conclusion

With limited budget expenditure, the EU can offer its rural areas the opportunity to become part of and benefit from economic globalisation by being (and remaining) local. Geographical Indications establish new global-local linkages. A product's region of origin is exploited to differentiate it from other agri-food goods, many of which are becoming increasingly standardised and homogenous.

Investing in local embedded production may offer unique opportunities to foster sustainable socio-economic development in rural areas. Relevant policy results can be achieved by tapping into potential territory-specific economic features and supporting community-led expertise. Traditional capabilities and practices should be preserved, while building new institutional bridges towards global opportunities.

**For more information, see the authors' accompanying paper at [Regional Studies](#)**

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*Note: This article originally appeared at the LSE's [Global Investments & Local Development blog](#). It gives the views of the authors, not the position of EUROPP – European Politics and Policy or the London School of Economics. Featured image credit: [Johny Goerend](#) on [Unsplash](#)*

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