

## Quality of Life and Management of Living Resources

Key Action n° 5

Sustainable agriculture, fisheries and forestry, and integrated development of rural areas including mountain areas

# Concerted Action DOLPHINS

Development of Origin Labelled Products : Humanity, Innovation and Sustainability

Contract QLK5-2000-00593

## Final seminar DOLPHINS held in Parma, 6-7 October 2003

### WP 7

## Synthesis and recommendations

Working document 2 :

*Recommendations to policy makers  
on the development of Origin Labelled Products*

To be discussed and improved at the workshop 2  
Tuesday 7<sup>th</sup> October 2003, 11.30 – 13.00

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September 2003

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This document is aimed to be discussed at the Dolphins' final seminar in Parma (6<sup>th</sup> -7<sup>th</sup> October 2003). The recommendations produced here have been gathered, compiled and synthesised from the WP reports (1 to 6) and from the minutes of the Steering committees. The general structure starts from the improvement of the 2081/92 regulations and is enlarged to deal at the end with the necessity of an integrated policy in order to meet the coming WTO rounds.

## **1. Keep improving the regulation 2081/92**

This regulation, which has been improved several times since ten years (692/2003, 8th April 2003), showed it's relevance for protecting and enhancing the existence and value of Origin Labelled Products.

### **1.1. The field of implementation has been lately refined**

However, in order to strengthen the EU's negotiation position, it would be important to enlarge this field.

- Let handicraft products enter the Regulation 2081/92 (and not limit it to agricultural products and foodstuffs)

### **1.2. Implementation procedures for registration of GIs**

- The teams in charge of registration and monitoring of PDO-PGI at the Commission, should include socio-economists and other scientific specialists and not only lawyers.
- Information concerning public enquiries in PDO-PGI registration procedures has to be improved for a better circulation. The whole specification file should be published by the European Commission – and not only limited to the applicant groups and the control bodies.
- National opposition procedures could be open to any European opponents having any legal interest also based upon national law for the countries where it is not yet the case
- The opposition procedure at the European level could be opened to any party (except the parties belonging to the nation that has transmitted the request) having an interest in the registration of a PDO-PGI (until now, only the Member States can oppose).
- Harmonisation for the certification of PDO-PGI is necessary at the European level, setting the minimum level of requirements for the controls (frequency, percentage production to be controled, control points at the different stage of the supply chain, including retail distribution), and providing a general frame of penalties and corrective actions in order to guarantee respect of the code of practices.
- Information programs and workshops about protection for geographical indications should be provided to national and regional administrations, to people involved in advising producers and to representatives of producers (branch organisations, trade unions...).
- Information programs and workshops about protection for geographical indications should be provided to producers and administrations from developing countries, and also from opponent countries. In those programs, a regional approach should be settled, with a direct involvement of producers and their representatives.
- Education programs about PDO-PGI should be organised at the European level for people involved in monitoring PDOs and PGIs.
- Specific education programs should be developed to help the new Members States to implement the european rules for PDOs and PGIs

### 1.3. Accompanying policy : towards a first enlargement of the current policy

The 2081 regulation should not only concern registration and protection, but also the follow up of the actors group involved in the collective initiatives. In this area, we have seen the diversity in forms of governance, associating firms, productive systems and political institutions. This collective dynamic appears often more important and necessary than legal protection, which is after all merely a framework for action. It is important in this respect to account for the forms of learning about global accompaniment of local initiatives as the situations are highly diverse by sector and by country. In some cases, accompaniment takes the form of an elaborate and effective mechanism while in others (English-speaking countries and Northern Europe), there is no collective culture capable of instigating and helping to develop sustainable OLP supply chains. These learning processes are very vast as they largely exceed the functions of management assistance and even include the development of knowledge and technical innovations compatible with OLP rules and regulations, or even sensorial analysis. They relate to the specific nature of OLP control systems, which should be defined and organised so as to give OLP sectors even more credibility. Thus, the identification of the critical success/failure factors of PDO/PGLs is important for the policy maker to better understand the critical elements in the initiatives to be supported.

- Reinforce the information sources about OLPs , especially the Dolphins databases on research, institutions and projects et more generally the Dolphins web site.
- Set up an economical database for most of the OLP supply chains and include it in the Dolphins database
- Gather information and analyses from the OLP databases in order to identify what is the best level of competition in an OLP supply chain and the mechanisms that allow this level of competition.
- Set up support policy to encourage the development of the OLP supply chains throughout Europe
- Give allowance to a certain subsidiarity in the implementation of those support, in order to be better adapted to the local and regional situations
- Consider a more flexible support approach to take into account the various needs of the supply chains at various stages of their development (research, teaching, investment, writing of the code of practice, etc.)
- Provide subsidies to reach a specific objective (take off), with well defined deadlines, rather than just support supply chains that have structural weaknesses and problems on a regular basis.
- Inform all the operators about the strategic meaning of their choices, i.e. the consequences of choosing among the protection systems (consequences on the supply chain as a system and on the enterprises).

### 1.4. Provide more precise goals and means so that small enterprises of the agribusiness, handicraft activities and other alternative products can be specifically supported.

Some studies showed that the “formal logics” brought on by PDO-PGI certification often “select” firms, and may exclude small-artisanal firms, non professional firms and more marginal areas from benefitting of the PDO-PGI. Besides, other studies shows that the more developed is the production area from an economic and social point of view, the higher is the presence of PDO-PGI, and the higher is the utilisation ratio of the denomination.

- Soften the application of European requirements for small business products (esp. 2081-92 and sanitary regulations) in order to prevent a risk of exclusion of « legitimate » producers due to high certification costs, sanitary levels, ...
- Broaden the application of the forthcoming “European measures in favour of food quality” (new CAP) to “non-PDO/PGI” OLPs.
- Let handicraft products enter the Regulation 2081/92 (and not limit it to agricultural products and foodstuffs)

Several studies shows that the access to certification is quite unequal throughout EU and that this service might be very costly for many small supply chains and enterprises. Those conditions are close to a distortion of competition which deters their economical situation.

- The financial question of certification for small producers should be taken into account, in order not to limit the benefit of PDO-PGI to great supply chains and firms. Some requirements lightening and financial support might be necessary.

### **1.5. Promotion of OLPs and consumer information.**

This is a key issue, since a protection policy alone wouldn't be able to achieve economical objectives if consumers are not involved. We shall deal with several items : the product awareness, the value of the OLP products, the diversity of consumers' demand and markets segments, the credibility of OLP products, the objectivation of the quality, the communication on OLPs.

#### ***Awareness***

Many studies revealing increasing consumer interest and attention to matters of origin in their food choice. However, evidences reveals that consumer awareness of the PDO/PGI designations is very low, and thus the designations are not being used to differentiate between products.

- One policy action could be therefore to increase awareness of the designations, through promotion campaigns.

#### ***The value of the OLP products***

The informative contents of the sign. Quality policies concern the ability of quality signs to transfer the various attributes of origin and to support several types of market strategies without blurring the significance of these attributes.

However, policy makers face problems. One of these relates about the great diversity of consumers expectations about OLP products' intrinsic attributes (quality, typicity, convenience, etc.), which are more or less linked with social expectations, in terms of original landscapes, tradition, animal welfare, environmental value, rural development (wealth, employment, skills and other benefits to marginal areas. The second relates to the results that show consumers use multiple signals or attributes to obtain origin or typicity (e.g. packaging, symbols, retailers' recommendations). If many European consumers do make choices in this way, this suggests that they are unlikely to purchase designated products, if other signals do not accord with their perceptions and expectations.

- Public actions should develop a whole marketing mix perspective towards OLPs, recognising that consumer food choice is made on the basis of various determining factors (either related to the product's intrinsic value or related to the social values).

However, many consumers do not necessarily link OLPs to these aspects, so there is a conceptual 'gap' between designators and users, no matter which attributes and expectations we consider.

#### ***Diversity of the consumers' demand and market segments***

The research findings suggest that there are at least two kinds of OLP consumers. Some of them are occasionally customers, whose product knowledge and awareness is quite low and who assess the products on the basis of their intrinsic attributes ; some of consumers have a cultural familiarity with the products, which is part of a common "good of civilisation", known, recognised, shared and appreciated by nucleus and network of consumer's / producers experts (connoisseurs). As regards these sociocultural aspects, consumers representations are rich and complex and their wishes often go to the preservation of products diversity and protection of a part of a cultural heritage. For those consumers, any use of PDO or PGI signs is not always useful, and their willingness may be very diverse : high for urban high income customers and low for rural familiar and proximity customers.

- Any information / promotion action have to take this diversity of situations into account.

### ***Credibility of OLP products***

There is a potential credibility problem in the PDO/PGI designations, as they do not actually provide consumers with any explicit guarantees about any of these aspects, only that the product originates from a defined area and is produced in a specified way.

- Public actions should take better account of the plural nature of the perceived benefits of OLPs for consumers, and develop policies which are built more solidly on these needs and preferences, to overcome the possibility of the credibility gap.
- Either policy-makers must incorporate these aspects into future designations (which would imply the need for a much stricter and more detailed set of criteria for awards to producers) or else find alternative arguments for the protection of OLPs which overcomes the 'conceptual gap' and 'credibility' problems.

### ***Objectivation of the quality***

From a consumer perspective, PDO/PGI designations are intended as guarantees of products' authenticity. However, as the above paragraph indicates, there is a lack of clarity regarding exactly what is being authenticated. The designations do not offer explicit guarantees to consumers regarding rural development, environmental protection, health, safety or quality, even though these may be present, to some extent, in many designated OLPs. Perhaps the most explicit guarantee relates to the aspects of tradition and heritage in OLPs, yet even this is problematic in light of sociological theories that tradition is a socially constructed phenomenon.

Either the representations are basically subjective, and in this case the authenticity appears quite uneasy to establish (all consumers the result of representations from different protagonists, not an objective, unshakable truth). In this context where 'origin', 'typicity' or 'tradition' are flexible concepts exchanged between different actors (e.g. producers and consumers), each interpret their meanings according to their own purposes, the question is raised of what role a guarantee of authenticity has at all.

Or the social construction is validated by a social convention where a certain amount of producers and consumers agree on and where the codes of practices, the labelling rules and the designation of origin are the concrete evidence of this agreement. In this second case, the social construct is close to an objective basis and gives rise to authenticity and guarantee.

- The public action must rely on the cases where the establishment of a quality convention seems solid enough.

### ***Communication on OLPs***

In terms of recommendations for the communication of the PDO/PGI designations, although the effectiveness of the 1995 promotional campaigns have not been evaluated, the low consumer awareness of the designations recorded in many subsequent studies suggests that the campaigns were not very successful. The EU faces two main problems: first, the lack of consumer confidence and trust in the EU as a message source, and second, the problems of generic campaigns lacking specificity and meaning.

- It seems necessary to link future campaigns to on-going national or regional events (for example, exhibitions, markets, shows), and to use specific products in communications literature to illustrate and exemplify what the designations mean and how they are beneficial.
- In doing this, better relationships and coordination should be developed with the national and regional agencies responsible for supporting and certifying OLPs, so that different assurance schemes can work in harmony rather than competition.
- Greater account should be taken of the acceptance and relevance of the designations to EU consumers, as to date, the designations have been producer-driven. It would be beneficial for communications to be tailored to specific consumer segments, rather than 'all consumers'. Where possible, the independence and rigour of the certification system should be emphasised. Legislators should also consider adapting the designation logos so that the PDOs and PGIs are more distinguishable from one another and from other logos ( TSG, Organic Foods).
- Policy protection of OLPs would be improved by giving marketing support to producers (so that they can be sending the best signals about their products).

## 1.6. Conclusion : make a choice between a regulation based on subsidiarity and an OLP development policy

The European Commission has not decided between a legal protection of geographical names and a development policy for Origin Labelled Products.

On reading the preamble to regulation 2081/92, it appears that justification of the regulation is based on general outcomes that relate to various policies: agricultural and rural policy, competition policy and consumer policy. The regulation is justified by a unified vision that seeks to reconcile these different policies.

However, research shows that a quality policy must coherently bring together several highly inter-related factors such as technical definition of production methods, the specificity (or typicality) of a product compared to potential substitutes, and consumer understanding of these factors. In contrast, the protection of geographical names requires the establishment of institutional mechanisms ensuring effective legal protection and does not need a broad consensus on policy.

The terms of future debate concerning European AOC and PGI policy will be based on :

- Maintaining a broad quality policy with a major effort to agree on its principles, interpretation and implementation throughout the European community. Once quality is a technical and objective reality of products and there are similar institutional mechanisms for achieving it, such a policy will improve the credibility of consumer information.
- Restricting policy to the legal protection for geographical names. The subsidiarity principle will continue to ensure that each member state maintains a certain freedom of interpretation of the regulation according to national history and context<sup>1</sup>. In this case the official " PDO " and " PGI " labels have a much more limited signification. In so far as there is no harmonised implementation of the regulation these labels cannot act as an indication to consumers that the quality of the product is related to its origin. In such conditions, the provisions provided by article having been implemented in different ways and a single, general message on product characteristics (whether this concerns the quality, age or traditional nature of the product) will tend to mislead consumers.

These alternatives are clearly not compatible with one another. Diverse approaches had been adopted according to the country and product even while the Commission was financing a major communication programme aimed at promoting the idea of a unique concept among consumers.

- State clearly if EU intend to develop an OLP development quality policy (with a common communication referring to a high quality content) or to a single regulation (based on subsidiarity and national promotion campaigns and logos).
- In any cases, a meeting of all the authorities in charge of registration procedure under Reg. 2081/92 in all Members States should be necessary, in order to share the experiences (in particular, in administrative support, guidelines for registration procedure, etc.), confront the procedures in practice and improve the European culture in that field.

## 2. Towards a more integrated policy

### 2.1. Integrate OLP policy with CAP and Rural development

There are contradictions and conflicts arising about the different policies implemented about agriculture and agro-food sector in Europe. Those contradictions are determined by the numerous layers of regulations, which have hardly the same purpose and are defended by different lobbies. An analysis of those regulations referred to OLP development opportunities and constraints is useful. In the context of a dramatic evolution of the Common Agricultural Policy, which aims to develop the products quality, the rural development, the sustainability and the protection of the environment, there is currently an opportunity to reach a better consistency between those policies.

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<sup>1</sup> This approach is similar to that developed by C. Béchet, in Sylvander, Barjolles & Arfani (2000)

We address here the question of the inclusion of national and European policies for protection and/or development of OLPs within the context of global policies. This is necessary in a dynamic system where powerful states (particularly in the WTO context) exploit the inconsistencies between competition policies, agricultural and rural policy, and consumption policy.

This relates, for example, to increasing awareness of multipurposeness (multifunctionality) in Europe (environmental aspects, rural development, regional and landscape development related to the image of products and producers, biodiversity, local areas and society as a whole). Moreover, the qualification of some products relies essentially on their environment-friendly mode of production and/or animal welfare. It is essential to include these aspects. These steps are an important factor in the spatial distribution of farming, local development in many regions and therefore affect the type of agricultural development. This is all the more important because OLP-related activities are conducted in fragile areas where specialisation and the lack of alternatives make initiatives very vulnerable.

*Concerning the competition policy*, the most crucial issue is currently the *antitrust rules*. PDO supply chain sometimes manages collective vertical and horizontal agreements regarding intermediary prices and quantities, in order to engage a common marketing strategy on the consumer market. These alternative organisational models may give benefits to the consumer and reinforce competition, as they maintain artisanal small-size producers and processors which are producing quality products. If these enterprises are not allowed to make collectively any strategic decisions as a vertically integrated firm, they will not be able to compete on the consumer market. However, limits have to be specified to a tolerant approach, to avoid distortions and opportunism.

*Concerning the CAP*, as it is known, the Agenda 2000 supposes for the Union a further developing of the approach started by the 1992 CAP reform (to decrease public stocks, develop market balances, solver commitments that the EU has made under Uruguay Round agreement in GATT, etc. ). Also supposes a more integrated Common Agricultural and Rural Policy for Europe (CARPE). For the period 2000-2006 this CARPE requires four elements: I. Market Stabilisation; II. Environmental and Cultural Management and Payments; III. Rural Development incentives; and IV. Transitional adjustment assistance.

Then, for the period 2000 to 2006 the CARPE will have to implement and complete its infrastructures for build a better future, on the basis of the: i. Agricultural Development; ii. Reconstruction and Development of Rural Areas; c. Improvement of the competitiveness of the European and Agro-food sectors on internal and world markets; iv. Management of natural resources and landscape conservation, and production of high-quality traditional and biological food products.

Finally, the main stake for Europe may be the definition of a new model of agriculture and a new European quality concept. Its importance is especially growing in relation to the WTO negotiations, in which the EU wants to emphasise quality and safety of food and agricultural commodities and its specific agricultural model, based on sustainability. In terms of policy, we are not only depending on agricultural, food and consumer policies, but we have to pay a growing attention to international trade policy and trade liberalisation also with respect to OLPs, their true contents and future position and role in the European food, agricultural and rural economies.

- Have a more integrated policy at the European level; linking OLP with RD and environment systems, with regard to WTO negotiations in order to defend a clear line defined from a better co-ordination between the Member States and the Commission.
- In order to achieve this, we have to consider the existing (or at least potential) conflicts between the co-ordination of OLP supply chains and several EU and national policies.
- Set priorities and better co-ordinate these various policies in order to be more effective on one of the main objectives.
- Apply a less orthodox competition policy and take into account the latest developments of economic theory, in particular new-institutional economics.
- Adopt a specific regulation if arbitration between OLP management (marketing-mix) and antitrust laws is not possible.
- Improve the codes of practice in order to meet social expectations (environmental concerns + animal welfare + employment conditions of workers, etc.).

## 2.2. Strengthen the links between OLP development policy / Rural Development policy and environment policy

PDO-PGI are usually considered to have positive effects on rural development, but there is not much evidence at present. Lack of evidence on the effects of PDO-PGI on rural economy and development should take us to be careful in supporting the request of PDO-PGI in every case. Not necessarily PDO-PGI are the right tool to foster rural development. The few studies available point out that the role of PDO-PGI in supporting OLPs-based rural development strategies shows opportunities but also limits.

Owing to the diversity of OLPs, it is also important to underline that the impact OLPs may have on rural development greatly change from one situation to another. As a consequence supporting OLPs valorisation strategies may not always be the best solution to activate positive rural development dynamics.

OLPs sometimes represent an identity element and an aggregating factor of the local community around a development project. The role of the policy maker within these aggregating processes in making the diversified interests of the actors converge on a single project is to be deepened.

The effects of the liberalisation of trade on OLPs must be further investigated as the adverse effects of liberalisation may be not only on the products *per se* but on the whole production system and rural development of certain areas, whose economic relaunch opportunities may sometimes be based only on their typical agro-food products.

We suggest the following measures in order to foster the efficiency of supports to OLPs from a rural development point of view, in the line of

- The statements made in the recommendations concerning the conceptual gap between consumers' expectations and product attributes, the communication issues and the need of credibility for OLP
- The foreseeable great role of RD in the future CAP
- The UE's negotiation position at the WTO round
- Develop tools to better evaluate the contribution of OLPs to rural development : identify the conditions for the effectiveness of OLPs as a tool of rural development, including qualitative aspects, in order to know which mechanisms should be especially fostered.
- Make the rural development issues explicit in the requirements toward OLPs, whether they are supported by financial aid or protected by legal devices. Incentives should be combined with a use of conditionality. A general framework of normative requirements may be defined at the EU level, with national adaptation, for the registration of PDO-PGI as well as the granting of financial aid for all OLPs. This framework should be part of (sub-)national Rural Development Programs.
- Greater involvement of producer groups and supply chains in the discussion and implementation of rural development plans at a local / regional level should be favoured ; it could be a prerequisite for aid.
- An incentive label "territory-friendly OLP" or a "sustainable OLP" label could be established.
- Encourage PDO codes of practice to respond to environmental concerns to promote greater acceptance of these products by consumers, policy makers and the public (NA + RA).

*Furthermore*, Rural development policies can contribute to multifunctionality in promoting the OLP system (in the general sense of promoting territorial goods) by backing individual conversion and collective organization in its critical phases. The Italian agricultural law (2001) which defines new policy tools at local level (the Agro-food district and the Rural district") or the French agricultural law (1999) which makes it possible for farmers to engage in "territorial contracts" for which they are rewarded are examples of legal frameworks permitting such local programs.

- Develop more flexible and accessible tools, especially for marginal and disadvantaged rural areas and small and artisanal firms.

- Develop a simplified version of EEC regulation 2081/92 be taken into consideration for allowing a higher diffusion of PDO-PGI between firms
- In order to better support rural development processes, Designations of Origin and Geographical Indications have to be integrated with other local valorisation initiatives and other public interventions: structural problems (at agricultural, processing and distribution level), co-ordination problems, lack of research and training activities, may impede a full success of PDO-PGIs.

### 3. WTO negotiations

#### 3.1. WTO, OLP and regulation 2081/92

According to the TRIPS agreement; Geographical Indications (GIs) are part of intellectual property rights. The inclusion of the regulation 2081/92 in the agricultural policy does not still make this clear.

- Expressly state in the regulation the intellectual property nature of GI's in the reg. 2081/92.
- Reg. 2081/92 may need to be amended in order to extend its scope to products beyond the agri-food field, should WTO negotiations on extension succeed (demand driven by Switzerland, certain east Europe and developing countries).
- Let handicraft products enter the Regulation 2081/92 (and not limit it to agricultural products and foodstuffs)

#### 3.2. WTO, OLP and Rural Development

Considering the WTO negotiations, the reference to multifunctionality is not the basis for OLP recognition. The protection of OLP names in globalized markets is an issue of international intellectual property rights protection. But if multifunctionality is considered to be associated with sustainable development, then the development of OLP systems can be considered a valid objective of rural development policies.

- Make a strong link in the regulation between OLP and Rural development policy (provided the recommendations about Rural development and consumer information are implemented)

In relation with WTO affairs and negotiations, Food safety, food quality, Agriculture and Food Industry friendly with environment, quality of environment, environmental consciousness, quality of life and public health, and social cohesion in rural communities, will be the key words of the better future in progress.

- Adopt of specific measures and control their implementation by the EU Member States, concerning the development of information and formation-training of farmers, and agricultural and rural communities. Also promoting the Quality products in all senses.

#### 3.3. WTO, OLP and trademarks

- The procedures for registration of trademarks should be improved to prevent registrations which have or will have to be cancelled.
- The idea of making a global database of all geographical names would certainly be useful for the trademarks institutes in the whole world, but might not be realistic considering the costs and technical difficulties involved (names in translation, etc.)
- Certification under the norm EN 45'011 should be required for all collective trademarks that include a geographical indication.
- Open Question: what is the Competence of the EC-Committee for PDO-PGI regarding Co-existence between PDO and prior registered or used Trademarks ?

### 3.4.WTO, OLP and consumer information

In WTO negotiations, the EU takes the position of justifying the protection of OLP names, at least in part, on the basis of food origins being important to European consumers. Evidence from this WP lends weight to this position, with many studies revealing increasing consumer interest and attention to matters of origin in their food choice. However, evidences reveal that the mechanism by which the EU seeks to protect OLPs is not working currently, because consumer awareness of the PDO/PGI designations is very low, and thus the designations are not being used to differentiate between products.

- Improve the promotion campaigns to increase awareness of the OLP (see suggestions above)

The finding that consumers have varying interpretations of origin in foods gives rise to a second problem for the EU position in WTO negotiations. The EU seeks to protect OLPs on the basis of rural development arguments, that is, protected OLPs are those which give wealth, employment, skills and other socio-economic benefits to marginal areas. However, many consumers do not necessarily link OLPs to these aspects, so there is a conceptual 'gap' between designators and users. Furthermore, even for those consumers who do make the link between OLPs and wider socio-economic benefits, there is a potential credibility problem in the PDO/PGI designations, as they do not actually provide consumers with any explicit guarantees about any of these aspects, only that the product originates from a defined area and is produced in a specified way.

- Either policy-makers incorporate these aspects into future designations (which would imply the need for a much stricter and more detailed set of criteria for awards to producers) or else find alternative arguments for the protection of OLPs which overcomes the 'conceptual gap' and 'credibility' problems.