



The fall and rise of labels of origin in the EU

An unexpected turn of events in Brussels at the start of 2013 has meant the European Commission may have to backtrack on a decision to allow importers of shoes and other goods to hide the country of origin from consumers.

Labels of origin are a long-running controversy and a cause of vexation to high-end footwear manufacturers in particular. In Europe, for example, major footwear retail groups, particularly in the north of the continent, were delighted when, towards the end of 2012, the European Commission announced a decision not to go ahead with compulsory labelling to show where shoes and other consumer goods are made.

It's a simple case, for many of the retailers, of being able to put a mass-produced shoe from southern Asia on shelf beside a product handmade in Italy. Typically, they will charge less for the mass-produced shoe, but often the prices of the two products are much closer than the difference in materials, in design, in craftsmanship and in wholesale cost would suggest. Retailers are happy about this because the mark-up on the cheap shoe must, in some cases, be over 1000%.

When you ask retail groups about it, they usually say that consumers care only about the price and the look of the product and that where and how the shoe is made is of no interest. Manufacturers in Spain, in Italy, in Portugal, in England, in Mexico, in Argentina, in Brazil and in many other manufacturing countries, including the US, disagree strongly and they wear their labels of origin as a badge of pride and a guarantee of quality.

In the background

The European Commission originally proposed compulsory 'Made In' labelling in 2005 and the European Parliament approved the idea in a vote in 2010. Nevertheless, the trade directorate of the Brussels-based body dropped the labelling

proposal from its programme of work for 2013. EU trade spokesperson, John Clancy, made comments to questions from a journalist in a press briefing in Brussels on October 23. He said that, although the 'Made In' proposal had been tabled in 2005, "no consensus has ever been gathered" and, as a result, the Commission decided to withdraw it. The European Parliament and the Council were then to have the opportunity to comment. It was clear from Mr Clancy's comments in the autumn that he expected no great opposition to the decision from those bodies.

"Even if there was widespread support in the European Parliament for this proposal, member states hold very different positions," he said at the time. "It has become clear that there is no future for this proposal. This withdrawal is in line with both the Commission's competences in its agenda of smart regulation and its reiterated efforts to focus on its trade priorities. For the time being, there is no intention to issue a revised proposal."

Italy speaks out

In response, Italy's footwear manufacturers' association, ANCI, immediately said it was "extremely disappointed" in the development. The organisation's chairman, Cleto Sagripanti, said the decision "unfairly benefits the big trading lobbies and multinationals that maintain only marketing activities in the EU, at the expense of the manufacturers, already heavily penalised by the economic crisis". He said it was unfair to consumers too because they have a right to clear, accurate product information.

ANCI sent a strongly worded protest to Italy's minister for economic development, Corrado Passera, to express its concerns



ANCI's president, Cleto Sagripanti (right), and general manager, Fabio Aromatici, are glad they refused to give up the fight.

CREDIT: MICAM

and insisted it would not give up the fight, but at the time, and in the light of the comments from Brussels, it was hard to see how this could really make a difference. Nevertheless, in the first months of 2013, the whole European label-of-origin landscape changed completely.

Questions of consumer safety

Suddenly citing consumer safety as a concern, the Commission said in a statement on February 13: "We are convinced that consumers, businesses and national authorities will greatly benefit from clear and consistent rules across the single market, more effective market surveillance and improved traceability of

MADE
RGIO
58



Who says consumers don't care where and how products are made? Giorgio Cugini's factory in Falerone, in Italy's most famous footwear manufacturing region, Le Marche, is one of many in Europe that strive to stay true to traditional values.

CREDIT: GDS/CONSTANZE TILLMANN/HANDMADE GIORGIO 1958





products. Manufacturers and importers shall ensure that products bear an indication of the country of origin of the product or, where the size or nature of the product does not allow it, that indication is to be provided on the packaging or in a document accompanying the product. For products manufactured in the European Union, the indication shall refer to the EU or to a particular member state."

Again, ANCI was quick to react. It welcomed the apparent change of heart in Brussels, with Cleto Sagripanti saying: "ANCI has been battling to bring the issue to light at a European and national level for quite some time; it's one that is vital to our production system and to excellence in manufacturing, as well as to consumer protection. This significant result is proof that the tireless efforts over the years helped move things in the right direction, and that ANCI never gave up."

In the weeks that followed, the subject came up for discussion at a meeting of the leather industry's representative body in the European Union, COTANCE. The organisation said securing legal protection for the term leather "against abuse and mis-



Quality counts. Footwear manufacturers in many countries wear a label of origin as a badge of honour.

CREDIT: MICAM

descriptions" remained one of its priorities. "This is a matter on which the international leather community is looking for authoritative solutions coming from Europe," COTANCE said in a statement after the meeting.

It bemoaned the fact that while the labelling of textiles and footwear (including leather footwear) now looks likely to be regulated at EU level, no EU legislation covers the labelling of leather and leather products as such. COTANCE has argued that studies carried out on the subject show clearly that there is a need for "authenticity labelling" at least. It called on the European Commission to carry out an assessment of the impact legislation in this area is likely to have in terms of helping consumers in the EU make "better-informed purchase choices".

Volte-face explained

It was only during a discussion at the Micam exhibition in Milan in March that the reason for the change became apparent. ANCI and its counterparts in countries such as Spain (FICE) and Portugal (Apiccaps) have long argued that compulsory labelling to show where shoes are produced would give them an advantage over importers who source product in lower-cost manufacturing locations. They would have continued to apply labels of origin regardless of the disappointment of the autumn. There was even speculation that discerning consumers would quickly have figured out that if a shoe bore no label of origin, it was probably because the brand or retailer preferred not to say where the shoe came from, which would have told its own story. By February 2013, however, the European Commission had changed its tune and was saying it

would press ahead to introduce legislation to make labels of origin compulsory.

In Milan, ANCI explained that the politician responsible for the earlier decision to remove the proposal from the work programme for this year, trade commissioner Karel de Gucht, had failed to inform the European Parliament of his reasons for doing so. Because of that, labels of origin are back on the agenda in Brussels, now as part of wider proposals covering consumer product safety.

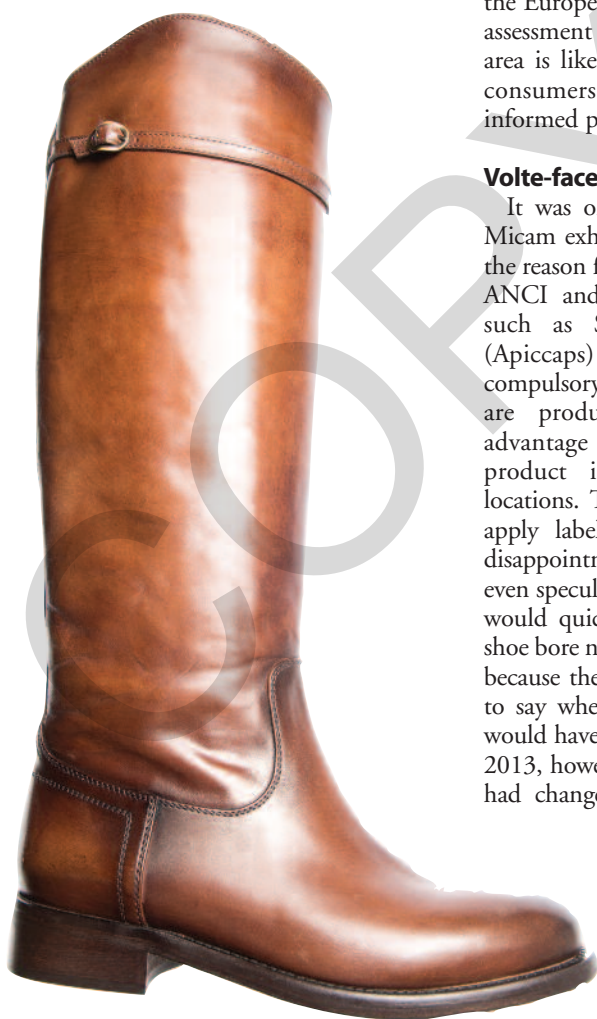
ANCI's general manager, Fabio Aromatici, who followed all these developments as closely as anyone in Europe, says without hesitation that the discussion turned on a technicality: Mr de Gucht overlooked the requirement to explain his reasons to the parliament and some members of parliament called him to account. Mr Aromatici says that these members of parliament came from various EU member states, but admits that Italy was "well represented" among them.

Fair competition at stake

As a result, the Commission (the executive of the European parliament) has had to agree to resume its commitment to labels of origin. And in a further twist of fate, Karel de Gucht's trade directorate is no longer the branch of the executive carrying out the work; the matter is now one part of a much longer proposal on consumer product safety under the European commissioner for industry and entrepreneurship, Antonio Tajani, who happens to be from Italy.

Another vote is scheduled to take place on the issue at the European Parliament this April. If it passes, the heads of government of the 27 EU member states will be asked to approve its inclusion in legislation. ANCI has said it expects no problems with the vote in April, but it knows the heads of some governments are likely to face intense lobbying, urging them not to go ahead at the last.

"This is a major change," Fabio Aromatici continues. "There was an



Made in Italy. Big importers often like to give Italian sounding names to their lower-cost brands, but would rather not reveal where their footwear is made.

CREDIT: MICAM



European commissioner for trade, Karel de Gucht, failed to explain to parliament why he had chosen to ditch compulsory labels of origin from his 2013 work programme. Thanks to this technicality, labels of origin have a new lease of life in the EU.



European commissioner for industry and entrepreneurship, Antonio Tajani.

CREDITS: EUROPEAN COMMISSION

argument before that it was unfair, under World Trade Organisation rules, to oblige producers from outside the European Union to put labels of origins on their shoes or other products because EU producers didn't have to do this. Now everyone will have to do it. The rules are equal for everybody."

He is in no doubt that what is at stake is fair competition. The argument of ANCI and its sister organisations in Spain, Portugal and elsewhere is that keeping production on home soil matters most from an economic point of view:

footwear production remains labour intensive and, therefore, continues to support thousands of jobs in the EU. And because many footwear factories place strict controls on their suppliers (in terms of quality, restricted substance management and responsiveness) footwear production in the EU supports the production of leather and other materials in the EU and on its doorstep.

According to ANCI, EU member states that have opposed moves to make labels of origin compulsory are unconcerned about this supply structure and about those jobs. Instead, the

organisation insists, their interest is in protecting importers (brands or retailers) who want easier access to the EU market for shoes made in Asia or other parts of the world where labour costs are lower, regardless of what that might mean for more manufacturing-based EU economies. "But now they are going to have to admit this," Fabio Aromatici says. "They are going to have to say why they favour importers. Until now they have been hiding behind World Trade Organisation rules and now they can no longer do that. The game has changed." ©