



The European Commission has closed the door on pushing through in 2013 obligatory labels of origin on shoes sold there.
PHOTO CREDIT: VIOLAVINCA

Italian shoe manufacturers bemoan Brussels labelling decision

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 has dropped the labelling proposal from its programme of work for 2013. EU trade spokesperson, John Clancy, commented on 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 has decided to withdraw it. The European Parliament and the Council will now have the opportunity to comment.

"Even if there was widespread support in the European Parliament for this proposal, member states hold very different positions," Mr Clancy said. "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."

This means retailers in Europe will be able to sell shoes without having to tell consumers where they come from. Retail groups have said that they believe many consumers today only care about the look and price of shoes rather than their origin, the quality of construction or the materials used. This is like saying consumers have no interest in where wine comes from, only the price and what the bottle design looks like. Of course, no one at the European Commission would buy wine that failed to state clearly the region, not just the country, of origin. What is more, the Commission would ban winemakers and retailers from trying to pull such a stunt.

Only marketing

In response, ANCI 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 has written to Italy's minister for economic development, Corrado Passera, to express its concerns. It says it will not give up the fight on this issue. In truth, though, this is a new battle in an old south-north footwear war.

Anti-dumping duties on imports of shoes with leather uppers from China and Vietnam were in place in the European Union between 2006 and March 2011. The European Commission, often sounding extremely reluctant about it, put the measures in place because European footwear manufacturers were able

A new controversy over product labelling has opened old wounds of division in the footwear sector of the European Union.

to prove accusations of falsely low export prices against competitors from the two Asian countries.

Many northern members of the 27-state European Union were vocally opposed to the anti-dumping measures, while those in the south, where most of Europe's footwear manufacturing jobs are, bore the brunt of amassing documentation to prove that Chinese and Vietnamese footwear brands were receiving enough help from their governments to allow their shoes to sell for a lower price in Europe than in their domestic markets.

Grounds for objection

Footwear companies in the north (mostly brands and retailers) objected on two main grounds. Retailers were unhappy because anti-dumping duties of, say, 16.5% on shoes from China made a hole in the mark-up they were able to secure by sourcing shoes cheaply in Asia and selling them at prices only slightly below what they were charging for shoes made in Portugal, Spain and even Italy (if they sold these at all). It's hard to get retail groups to confirm, but in some cases the mark-up in European shops on shoes from China must be more than 1,000%.



ANCI president, Cleto Sagripanti (right), is concerned that the European Union no longer wants to protect its small manufacturers.

PHOTO CREDIT: MICAM



Tuscan touch. The label on a €5 bottle of wine usually requires not just the country of origin but the region of origin. The European Commission is unconvinced that consumers paying 20 times more for a pair of shoes need the same reassurance.

PHOTO CREDIT: VIOLAVINCA.

Footwear brands that have outsourced most of their manufacturing to partner companies in Asia, often with great success, were equally unhappy about anti-dumping. Many of those lobbying the loudest were sports shoe brands (all the big ones have most of their shoes made by partners in Asia). Theirs is a fiercely competitive market, although the retail prices of their shoes are high, and they objected to the extra cost. In the middle of the anti-dumping regime, in the spring of 2010, Puma's then chief executive, Jochen Zeitz, said the measures were "useless".

At the time, *World Footwear* questioned him about this, pointing out that one of the things that makes Puma shoes desirable is that it is a European brand and to sustain this desirability, European footwear brands need a supply base in Europe. It was put to him that if there is dumping and it is not opposed there is a risk of losing brands and, therefore, the supply base. Large numbers of jobs could be at stake. He responded by saying: "All right, but we are not dumping anything and we are being made to pay. At our price point, there is no dumping. They should be going after the companies at the cheaper end, the ones who pay no attention whatsoever to social responsibility or the environment. There are companies that should be investing and are not, and we who are not responsible for dumping are being made to pay. That's why this whole thing makes no sense."

Ongoing battle

But it did make enough sense for the European Commission to support it for five years. That the measures stayed in place for so long did little to heal the European footwear sector's

north-south divide, the ongoing existence of which is, tacitly, acknowledged in John Clancy's remarks about compulsory labelling on which "no consensus has ever been gathered". And in an interesting aside, he has said that consensus became even less likely when, in recent years, the World Trade Organization tightened the regulations on origin-marking, making "room for manoeuvre" more limited.

Footwear brands and retailers that want room for manoeuvre on this are usually the ones that want to present their products in a falsely positive light to consumers, in the hope that people will pay up without asking awkward questions. Tactics include using made-up Italian-sounding brand names for shoes made in Guangdong and claiming as the country of origin the place from where only a few components have come (if it's prestigious enough).

Premium prices

'Made in Italy' commands a premium, and ANCI wants that to continue to be the case and for consumers to be as aware as possible of the differences between a shoe handmade by artisans in Italy (the same would apply to Spain, Portugal, France, the UK and most other EU countries) and one mass produced in south-east Asia. Seven out of ten pairs of Italian shoes that leave Italy go to customers in the other 26 EU member states. At the start of 2013, ANCI said in a statement that it senses its member companies, high-end Italian footwear manufacturers, are perhaps becoming disillusioned with these external markets.

Cleto Sagripanti admitted immediately that this is partly because of the downturn in the economy in most EU countries. In the first eight months of 2012, exports of Italian shoes to Spain and Greece (two of the most severely affected economies) experienced double-digit declines compared to the same period in 2011. Shipments to France, Italian brands' number-one export market, were down by 9%. However, the economy is not the whole story.

"We are and remain committed Europeans," the ANCI president said, "but we cannot imagine a de-industrialised Europe which does not want to defend its own manufacturing and does not know how to defend it, which does not want to pursue the idea of origin-labelling for imported products and does not know how to pursue it. We should not compromise on this if we want to build a Europe with which hundreds of thousands of small manufacturing firms and their workers can identify."

Besides, it's simply not true that consumers care nothing about the origin and quality of the shoes they buy. We have made the point before about the total dominance of Italian and French brand names (many French fashion companies make their shoes in Italy) on the lists that New York-based research organisation The Luxury Institute publishes showing the most popular footwear brands among the most wealthy consumers.

If you want a money argument, Italy earned almost €5.4 billion from the 152.5 million pairs of shoes it exported to all markets in the January-August 2012 period Cleto Sagripanti was talking about. Over the same eight-month period, China earned four times as much from footwear exports, nearly €21.8 billion. But to earn that much, for every pair of shoes their Italian counterparts turned out, Chinese manufacturers had to make almost 45 pairs. 🌀