



To the members of the INTA Committee of the European Parliament

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The Hague
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Subject
'Made-in' labelling

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Dear Sir, Madam,

The INTA Committee is actually considering the draft report on the proposal for a regulation of the European Parliament and of the Council on the indication of the country of origin of certain products imported from third countries ('Made-in labelling'), as prepared by Ms Cristiana Muscardini.

Many businesses and many industry federations in the EU are strongly opposed against such mandatory Made-in labelling because it will be purely protectionist in nature, it will not serve in any way its declared purpose of useful additional consumer information, it will necessarily lead to extra costs and administrative burdens and it will be detrimental to European companies.¹

./. In the attached position paper, the arguments of industry against mandatory Made-in labelling are further elaborated.

We strongly ask you to take the arguments of industry into consideration in your deliberations and reject the introduction of mandatory Made-in labelling in the EU.

Yours sincerely,

BDI
Federation of German Industries
Dr. Werner Schnappauf
Director General
and Member of the Presidential Board

DI
Confederation of Danish Industry
Thomas Bustrup
Deputy Director General

¹ A separate letter from the Finnish Confederation of Industries EK with a comparable position on mandatory Made-in labelling has been sent to you on August 23. Equally, other national federations of industry of EU countries may still join our stance on Made in labelling.



IBEC
Irish Business and Employers Confederation
Danny McCoy
Director General



IV
Federation of Austrian Industries
Markus J. Beyrer
Director General



SN
Confederation of Swedish Enterprise
Urban Bäckström
Director General



VNO-NCW
Confederation of Netherlands' Industry and
Employers
Niek Jan van Kesteren
Director General



EU Industry federations' position paper on 'Made in labelling'

Summary

The European Parliament's INTA Committee is considering a draft report by Ms Cristiana Muscardini (PE443.133v01-00) on the **proposal for a regulation** of the EP and of the Council on the **indication of the country of origin of certain products imported from third countries ('made-in' labelling)** (2005/0254(COD)). Amendments can be proposed until August 30.

The industry federations undersigning this position paper, which represent a large percentage of EU business, are strongly against mandatory country-of-origin labelling, because

- **it is purely protectionist**
- **it will not serve in any way its declared purpose of useful additional consumer information**
- **it will lead to extra costs and administrative burdens and**
- **it will be detrimental to European companies.**

The federations therefore strongly urge the Members of the European Parliament *not* to adopt the proposed regulation. As an alternative, voluntary labelling should be considered.

Mandatory labelling is pure protectionism

The real motive behind the proposed mandatory country-of-origin labelling is no other than pure protectionism: mandatory country-of-origin labelling is a non-tariff barrier and will necessarily lead to **cost increases for imports** caused by the introduction of labels, the supervision of production chains and administrative and supervisory costs of the required documentation and customs-handling. These costs are substantial: according to the Commission's assessment the additional cost would be € 1.50 per article for apparel and € 2,- per article for footwear. Thus imported products are deliberately put in a disadvantaged competitive position vis-à-vis products that, according to the existing rules of origin, are classified as made in the EU. Ultimately, the consumer will pay these costs.

The protectionist motive is clear a.o. because the mandatory labelling is limited to certain categories of products that happen to be sensitive to import competition, but where no particular consumer interest is at stake. This shows that the intention is not to protect consumers but to protect certain domestic industries.

By introducing a regulation for country-of-origin labelling with a manifest protectionist motive and no other demonstrable purpose, the EU would give **a very wrong signal to the international community; it will (rightly) be seen as favouring protectionism** and would put itself in an awkward position in international trade talks. The fact that other trade partners have introduced forms of made-in labelling in various forms is no reason for the EU to follow suit. Rather, it should be examined whether this legislation can be challenged before the WTO.

The fact that the proposal is at this moment limited to certain categories of products is in no way reassuring. The open nature of the proposal creates the possibility to add more products in the future. Already, the draft report contains a number of products (CN-codes 7318 and 8481, screws, bolts, taps, valves etc.) that were not part of the original Commission proposal.

The declared purpose of additional consumer information is not served in any way

Proponents of mandatory country-of-origin labelling say that it will increase transparency and consumer information: but the provided information will be **pointless and irrelevant to consumers**. According to the proposal, the country of origin for the made-in labelling would be determined according to the **non-preferential rules of origin**. These rules have a simple economic purpose (determining where the last substantial value was added) and **are intrinsically unfit to inform consumers on the quality of a product**. The proposed labelling will thus not provide information on the quality of the product or on the process and production methods used (e.g. environmental measures or child labour). Due to the facts that production chains nowadays are widely spread internationally and that rules of origin are very complicated, the indication that a product is originating from country X means little or nothing: a large proportion of the components that determine the final quality may come from other countries. Country-of-origin labelling in its proposed form will in most cases not indicate the country of production of the components but the country of *assembly*. For example, the indication that a shoe is made in EU-Member State Y may in practice just mean that the upper part and the sole of the shoe, which both can originate from anywhere in the world, are put together in the EU Member State. And this assembly could even have taken place in a sweat shop by non-EU workers. Country-of-origin labelling thus provides meaningless information to the consumer, as far as quality or safety is concerned. **Modern consumers are well aware that the real guarantees for product quality are the brand and the production standards, not the artificially constructed country of origin.**

The conclusion is that the proposal **forces consumers to pay a higher product price for useless and pointless information.**

Detrimental to European companies

Mandatory country-of-origin labelling will in many cases be detrimental to EU companies. Many European companies design and develop their products in the EU. Often, a big portion of the actual production also takes place in the EU. Thus, only the final assembly of the product takes place elsewhere in the world. **Such companies will be put in a disadvantaged position and consumers would not be informed adequately** when companies have to label their products in such cases as if they were made solely outside the EU, although a large share of the added value is realised in the EU.

Difficult to reconcile with WTO-rules and difficult to enforce

It is **highly doubtful whether country-of-origin labelling** that would be mandatory only for certain products from third countries, **would be compatible with the rules of the World Trade Organisation WTO**. Rules that apply to certain foreign products but not for like products from the EU are discriminatory and contrary to the obligation of national treatment, which is at the centre of the WTO-system.

Finally, there are serious doubts whether the system of country-of-origin labelling that the Commission proposes is enforceable and whether it can be checked.

The alternative way forward: voluntary labelling

The proposed regulation is fundamentally flawed. It cannot be amended in such a way that it takes the objections of industry into account. **It should not be adopted**. In its place, **voluntary labelling of EU-origin should be considered**.

Brief history

The subject of country-of-origin labelling is not new. Already in 2003 – 2005 it was put on the EU agenda, a.o. on the basis of a Commission proposal for a specific regulation on this issue of December 2005. This proposal met fierce resistance from BUSINESSEUROPE and from Member States. As a consequence the Commission concluded that the proposal did not have sufficient support. The objections against the proposal remain as valid today as they were in 2005. Nevertheless the European Parliament addressed a letter to the Heads of Government, Ministers of Foreign Affairs and Ministers of Foreign Trade of the 27 Member States on April 17, 2009, signed by 433 MEPs, in which support is expressed for a Commission proposal on a 'Made-in' regulation. On November 25, 2009, the EP adopted a resolution with the same content.

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