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DOCUMENT 1-529/82

INTERIM REPORT

drawn up on behalf of the Committee on Economic
and Monetary Affairs

on the proposal from the Commission of the European
Communities to the Council (Doc. 1-989/81 - COM(81)
766 final) for a regulation concerning the indication
of the origin of certain textile products imported from
third countries

Rapporteur: Mr K. von WOGAU

By letter of 1 February 1982 the Council of the European Communities optionally requested the European Parliament to deliver an opinion on the proposal from the Commission of the European Communities to the Council for a regulation concerning the indication of the origin of certain textile products imported from third countries.

The President of the European Parliament referred this proposal to the Committee on Economic and Monetary Affairs as the committee responsible and to the Committee on External Economic Relations and the Committee on the Environment, Public Health and Consumer Protection for their opinions.

On 24 February 1982 the Committee on Economic and Monetary Affairs appointed Mr von WOGAU rapporteur.

It considered this proposal at its meeting of 13 July 1982 and adopted the motion for a resolution by 14 votes to 8 with 1 abstention.

The following took part in the vote: Mr Moreau, chairman; Mr Macario, vice-chairman; Mr von Wogau, rapporteur; Mr Beazley, Mr Berkhouwer (deputizing for Mr de Gucht), Mr Beumer (deputizing for Mr Collomb), Mr von Bismarch, Mr Bonaccini, Mr Caborn, Mr Carossino (deputizing for Mrs Hoffmann), Mr Delorozoy, Mrs Desouches, Mr Franz, Mr Herman, Mr Hopper, Mr Nordmann, Mr Nyborg, Mr Pfennig (deputizing for Mr Schnitker), Sir Brandon Rhys Williams, Mr Rogalla (deputizing for Mr Walter), Mr Schinzel, Mr Van Rompuy, Mr Wagner and Mr Wedekind (deputizing for Mr I. Friedrich).

The opinions of the Committee on External Economic Relations and the Committee on the Environment, Public Health and Consumer Protection are attached.

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The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the proposal from the Commission of the European Communities to the Council for a regulation concerning the indication of the origin of certain textile products imported from third countries

The European Parliament,

- having regard to the proposal from the Commission of the European Communities to the Council (COM(81) 766 final)¹
 - having been consulted by the Council (Doc. 1-989/81),
 - having regard to the interim report by the Committee on Economic and Monetary Affairs and the opinions of the Committee on External Economic Relations and the Committee on the Environment, Public Health and Consumer Protection (Doc. 1-529/82),
 - having regard to its resolution of 9 April 1981 opposing the compulsory indication of origin,
1. Reiterates its strong reservations against indication of the origin of textile products;
 2. Believes that a measure to this effect could be justified only if linked to a simultaneous further opening up of the internal market in textile products;
 3. Could support the Commission's proposal only if the Commission at the same time succeeded in making substantial progress towards a common market in textile products;
 4. Calls upon the Commission therefore to tighten up still further the conditions governing exceptional measures under Article 115 of the EEC Treaty and to submit further proposals for the opening up of the internal market in textiles;
 5. Suspends its discussion on this matter until the Commission has submitted such proposals;

¹ OJ No. C 93, 14.4.1982, p. 11.

6. Instructs its President to forward this resolution and the explanatory statement to the Commission and Council of the European Communities and to the governments and parliaments of the Member States.

EXPLANATORY STATEMENTI. Introduction

1. Two Member States of the Community, France and the United Kingdom, have already introduced rules concerning the indication of the origin of certain textile products and Italy has informed the Commission that it intends to do so.

The French rules in principle apply to all products which are not of French manufacture but for the present they are being enforced only on products from third countries.

The rules planned by Italy have many points of similarity with the French ones.

The British rules on the other hand are entirely different. Textile goods in the retail market must bear an indication of origin irrespective of whether they are produced in the United Kingdom, in another Community Member State or in a third country.

2. After debating a report drawn up by Mr von WOGAU on behalf of the Committee on Economic and Monetary Affairs (Doc. 1-73/81), on 9 April 1981 the European Parliament rejected a proposal for a directive on the approximation of the laws of the Member States on the indication of the origin of certain textile and clothing products (OJ No. C 101, 4.5.1981, p. 48).

This original proposal left it to the Member States to decide whether indications of origin were to be compulsory or not but laid down certain guidelines on how the indication of origin should be applied if they did so decide.

The European Parliament did not consider it necessary to approximate the laws of the Member States in this way and instead called upon the Commission to institute proceedings before the Court of Justice against Member States laying down rules on the indication of origin which might be construed as erecting barriers to trade within the Community. The Commission withdrew its proposal in September 1981.

II. Contents of the proposal

3. The new proposal is a draft regulation which, if adopted, would be binding in its entirety and directly applicable in all Member States.

All goods from third countries (within the defined product categories) would need to bear an indication of their country of origin for them to be allowed into 'free circulation' within the Community (cf. Article 1).

The responsibility for carrying out checks lies 'only' with the Member State in whose territories the articles are put into free circulation (cf. Article 2). The purpose of this provision is to ensure free movement within the common market once these products have been put into 'free circulation' in one of the Member States.

The Commission is empowered to determine such measures for the application of the regulation as may be necessary in order to achieve this free movement within the common market (cf. Article 5).

III. General comments

4. The Commission has stated that it has initiated infringement proceedings pursuant to Article 169 of the EEC Treaty against both France and the United Kingdom. The proceedings are furthest advanced in the case of France.

The justification given by the Commission for taking action against the British proposals as well is that even if they are non-discriminatory rules which need be complied with only in retail trade they nonetheless constitute a barrier to trade. The Committee on Economic and Monetary Affairs has its doubts about this argument; Articles 30-36 of the EEC Treaty are scarcely intended to prevent the Member States from laying down rules on consumer information which do not discriminate against products from other Member States and only apply to the retail trade.

5. The Committee on Economic and Monetary Affairs is pleased that the Commission is enforcing the principles of the Treaty on this matter and urges it to pursue its application of the procedure under Article 169 with the utmost vigour.

6. During the discussion in the Committee on Economic and Monetary Affairs a number of arguments were put forward both for and against the Commission's proposal. The most important of these are given below.

7. The arguments adduced in favour of the Commission's proposal include the following:

- (a) The European Parliament itself, in its resolution on the Commission's 1981 programme for the achievement of the customs union, expressly called on the Member States to adopt a more uniform common position on imports from third countries and, at the same time, to open up their markets for intra-Community trade;
- (b) The implementation of the proposed common rules will
 - prevent the adoption of conflicting national rules,
 - promote the transparency of the Community's trade with third countries,
 - improve the opportunities for combating fraud;
- (c) The textiles sector is in difficulty; common provisions on trade will be one component of a common structural policy for this sector;
- (d) With the aid of the Court of Justice, the Commission will presumably be able to prohibit individual Member States from demanding that products from other Member States be given an indication of origin; without such common provisions the Commission thinks it will be in a weak legal position if one or more Member States introduce a requirement that products from third countries should bear an indication of origin.

8. The arguments against the Commission's proposal include the following:

- (a) Under Article 110 of the EEC Treaty one purpose of the customs union is to facilitate and not hamper international trade; if the Commission's proposal were put into force, a new formality would be created for imports from third countries;
- (b) It is not at all certain that an indication of origin is necessary for the purposes of consumer protection;
- (c) Some of the Member States' strict checks on trade in textile products - even between Member States - will continue to exist since they are not carried out to enforce rules on the indication of origin but are rather:
 - checks on imports of third countries' products in connection with the multi-fibre arrangement (checks on quantities and/or on the evasion of regulations),
 - national safeguard measures covered by Article 115 of the EEC Treaty;

- (d) An indication of origin can, particularly with regard to products from third countries, develop into a new mark of quality and also promote sales by drawing the consumer's attention to the fact that the article comes from a country with low production costs;
- (e) If this demand for an indication of origin on textile goods is accepted, there may be attempts to extend it to other types of goods.
9. The Committee on Economic and Monetary Affairs wishes to add a number of comments on some of these arguments for and against:

Re: abolition of barriers to internal trade

The implementation of the present proposal will not in itself remove any existing formalities in the trade in textile products between Member States; the aim of the proposal is therefore more of a preventive nature and, in the committee's opinion, this objective will only be reached if the Commission can arrive at a coherent position on national rules on the indication of origin; the Commission has, for instance, already obtained a ruling from the Court of Justice that the Irish rules on the indication of the origin of jewellery were in violation of the Treaty¹.

Re: consumer protection

An indication of origin is, of course, one of the many items of information which may be of interest to consumers; the relationship between price and quality, the colour, the trade mark, the description of the article and maintenance instructions are, however, very much more important to the consumer than information about the origin which, as is shown in the comments below on Article 1, can be more misleading than instructive. A requirement that the origin must be indicated will therefore not fall under Article 36 of the EEC Treaty to which the principle contained in Article 30 applies: goods that are legally marketed in one Member State shall be the subject of free trade between Member States.

Re: protectionism

The Commission has chosen not to comment on the reasons which have led some Member States to introduce rules on the indication of origin but merely assesses their possible effects on the operation of the customs union and the internal market.

The Commission has, moreover, dismissed the committee's suggestion that third countries could consider the Community rules on the indication of origin as an expression of protectionism and referred in this connection to the fact that:

- an indication of origin requirement is admissible under the GATT agreement,
- Japan, the USA, Canada and Finland have already introduced such a requirement,
- Sweden is planning to do so,
- France's requirement on this applicable to goods from third countries has not given rise to such accusations.

IV. Conclusions

10. Having reviewed the arguments for and against the indication of origin, the majority view within the Committee on Economic and Monetary Affairs is that:

- (a) none of the arguments advanced by the Commission itself are convincing; they are all of marginal significance;
- (b) the indication of origin does not meet a real consumer demand;
- (c) new formalities will be created - hence higher costs - in trade with third countries;
- (d) it is difficult to avoid the suspicion that the most important reasons behind the demand for the indication of origin are of a protectionist nature.

11. The majority of committee members has therefore expressed strong reservations against acceptance of the Commission's proposal and it should be emphasized here that the Commission has not been able to show any likelihood that implementation of the proposal will eliminate any of the existing formalities and checks encountered in internal trade in textile products.

12. The only reason the majority of the committee can see for the Commission to submit the present proposal is that it is seeking a compromise solution which could be attractive to those Member States which have already introduced or are planning to introduce rules on the indication of origin which are contrary to the Treaty.

13. The situation would be different if the common position suggested by the Commission vis-à-vis third countries were combined with derogations for the internal market (cf. point 7(a) above), i.e.

- that Member States should refrain from fixing national shares of the Community quotas which are laid down in bilateral agreements within the framework of the multifibre arrangement,
- that the Member States and the Commission should limit the application of safeguard measures pursuant to Article 115 of the EEC Treaty to an absolute minimum.

14. The Committee on Economic and Monetary Affairs recognizes the fact that serious problems in the textiles sector in all the Member States make it difficult for the governments to accept a more wide-ranging solution of this kind. The attempt should nevertheless be made and the Committee on Economic and Monetary Affairs expects the Commission to take such an initiative with a view to the attainment of a common internal market for textile products.

15. The Commission's answer to this is that the number of exceptional measures is closely linked to the existence of national shares of the EEC quotas fixed under the multifibre arrangement. The Commission has proposed that these national shares be abolished, but has encountered no support for this step either in the European Parliament or the Council. In the circumstances, the number of exceptional measures taken under Article 115 is in fact already very small, and affects a minute proportion of total sales of textiles and clothing.

16. It was against this background that the committee considered suspending the discussion on the present proposal to allow the Commission an opportunity to begin talks with the Member States. The committee has not felt this to be an expedient solution because the Commission ought to receive this instruction from the European Parliament and not from one or other of its committees.

In this situation the Committee on Economic and Monetary Affairs has decided to issue an interim report so that the European Parliament can both give the Commission the necessary instructions and postpone its vote on the actual proposal for a regulation.

The following remarks on the content of individual articles will be amplified in due course when the committee issues its final report

Re: Article 1

1. The goods are to be marked before they are put into 'free circulation', i.e. at the production or import stage and not at the retail stage.
2. The purpose of the article is not to define the term 'origin' but to see that goods bear an indication thereof.

An indication of origin requirement may affect the arrangements made by importers and producers. Because of this, the definition of the term 'origin of goods' takes on greater significance.

The decisive criterion for defining the 'origin' is the degree of working-up which changes the position of a product in the customs nomenclature. It stands to reason that producers will have some opportunity to have the 'decisive' working-up done in the country which they wish to indicate as the 'origin'.

3. The provision in paragraph 3 that the indication of origin requirement shall not be applied to products covered by the 'outward processing' procedure is understandable since it would be unacceptable for Community producers who had part of the working-up carried out in a third country to have to indicate this third country as the 'origin' of all or part of the article.

On the other hand this provision makes it possible for consumers to be misled. Australian clothing worked up in Hong Kong would thus have to be marked 'Hong Kong' whereas Italian or English clothes worked up on the same place would not need to bear any indication of origin.

4. The indication of origin may thus be more misleading than instructive. The opportunity for misleading the consumer can however only be avoided if more detailed provisions are laid down, e.g. that the indication should cover both the origin of the material and the place of working-up. The Committee on Economic and Monetary Affairs does not however wish to propose this, partly because, even with such detailed provisions, it seems inevitable that an indication of origin requirement will in one way or another have adverse consequences for both trade and the consumer.

Re: Article 2

5. Under this article responsibility for the enforcement of the rules will lie 'only' with the Member States in which the goods are put into 'free circulation', i.e. if the goods are re-exported to other Member States those Member States are not allowed to check the marking.

The purpose of this provision is of course to attempt to prevent new formalities arising in connection with internal trade in these goods. It is, however, doubtful whether other Member States will in fact refrain from carrying out such checks, for example in connection with measures against fraud.

6. The wording of the article may leave an initial impression that the Member States are authorized to administer the regulations in different ways. The fact that this is unintentional is shown by the provision in Article 5 empowering the Commission to determine such measures for the application of this regulation as may be necessary but it might be appropriate to reword this article or else add a clarification to Article 2.

Re: Article 3

7. The committee has no comments to make on the wording of paragraphs 1-3 but draws attention to the fact that it would presumably be appropriate to add a new paragraph 2a which, with a view to preventing consumers from being misled would stipulate that 'the goods shall not bear an indication or sign which might mislead as to their origin'.

Re: Articles 4, 5 and 6

8. No comment.

OPINION OF THE COMMITTEE ON EXTERNAL ECONOMIC RELATIONS

Draftsman: Mr J. PELIKAN

On 24 February 1982 the Committee on External Economic Relations appointed Mr Pelikan draftsman of the opinion.

The draft opinion was considered by the committee at its meetings of 18 March and 25 June 1982 and adopted on 25 June 1982 by 23 votes to 1 with 1 abstention.

Present: Sir Frederick Catherwood, chairman; Mrs Wieczorek-Zeul, vice-chairman; Mr van Aerssen, vice-chairman; Mr Seal, vice-chairman; Mr Pelikan, draftsman; Mr Almirante, Mr Blumenfeld, Mr Cohen (deputizing for Mr Caillavet), Mr Filippi, Mr Früh (deputizing for Mr Jonker), Mr de Goede (deputizing for Mr Paisley), Mr Irmer (deputizing for Mr Damseaux), Mr Lemmer, Ms Nikolaou, Lord O'Hagan, Mr Paulhan, Mr Pasmazoglou, Mr Pranchère (deputizing for Mrs Poirier), Mrs Pruvot, Ms Quin (deputizing for Mr Radoux), Mr Rieger, Mr Seeler, Mr Simmonds (deputizing for Mr Welsh), Mr Stella, Sir John Stewart-Clark.

INTRODUCTION

1. Two Member States earlier introduced regulations concerning origin indication of certain textile and clothing products imported from third countries. A third country has informed the Commission that it is considering doing the same. These regulations admittedly disrupt the admission of products into the Common Market and have an effect on their diffusion within the Community.

In order to resolve this unsatisfactory situation, the Commission put forward a proposal to the Council urging it to adopt a regulation on the indication of origin of certain textile products imported from third countries (COM(81) 766 final of December 15, 1981).

2. The Commission believes that appropriate rules at Community level will make the market more transparent and will meet the legitimate interests involved. Once imported products have been put into free circulation within the Common Market, the proposed regulations will help to avoid repeated application of national controls. Those in force at present constitute a barrier to the free movement of products.

3. The Commission bases its proposed regulations on the following considerations:

- the origin of products is to be determined according to the regulations in force;
- the control of origin indication is to be carried out by the Member State in which the product concerned is put into free circulation;
- regulations shall not be applied to products related to both outward and inward processing regimes;
- the regulations will be applied with flexibility;
- the indication of origin shall be affixed to the product itself or be shown on its wrapping if the product concerned is usually wrapped separately.

PREVIOUS DEVELOPMENTS

4. In 1980 France introduced a general requirement of origin indication for all imported products. France has, however, promised at the same time that this requirement will not be applied to EEC products. While this promise has so far been kept, there is no guarantee that national regulations would not be applied entirely. The U.K. has demanded that all retailed textile products bear an indication of origin. This applies to all textile goods originating in the U.K., the EEC or third countries. However, as the enforcement of the regulation does not require any border control, it is difficult to establish if the U.K. regulation is constituting an obstacle to free trade. Suggested Italian regulations on origin indication are believed to be similar to that already applied by France.

5. The Commission, anticipating the introduction of national measures, decided to seek an opinion of the European Parliament on its proposal to the Council for a directive on the approximation of the laws of the Member States on the indication of the origin of certain textiles and clothing products (DOC 1-514/80). The Committee on Economic and Monetary Affairs, however, rejected the Commission's proposal on April 9, 1981 and called upon the Commission to initiate instead proceedings before the Court of Justice against Member States which issued the rules on the indication of origin and which might constitute a barrier to trade within the Community.

The Commission consequently withdrew its proposal. It also stated that it had initiated infringement proceedings against France and the U.K. under Article 169 of the Treaty (non compliance with the Treaty by a Member State, in this case an establishment of barriers to trade).

6. The Commission came forward with a new proposal to the Council: COM (81) 766 final and once more decided to consult the European Parliament. This new and improved draft regulation, in contrast to the latter, would be binding and directly applicable to all Member States.

DISCUSSION OF THE DRAFT REGULATION

7. The Draft Regulation is based on the application of Article 113 of the Treaty and not on Article 100 as was the case previously. This is considered more appropriate as it is felt that harmonization of Member States' national legislations would not allow for more effective dismantling of intra-Community barriers to trade. On the other hand, the use of Article 113 does not imply the necessity for the Commission to consult the European Parliament and the Economic and Social Committee.

8. The products concerned shall be marked by an indication of origin at the production or import stage. They shall not be put into free circulation within the Community unless properly marked. The responsibility for enforcing the regulation shall be entrusted to the authority which issues customs clearance. This obligation does not preclude the importer or exporter from using an indication of origin.

9. Origin is to be determined according to existing rules (in particular EEC No. 802/68 of June 1968). The rules determine the origin according to the criterion of the degree of working-up. The use of rules in force does not mean the foolproof determination of origin but only that of the country of the final stage of processing or export. Consequently, the draft regulation only partially covers consumer needs. However, the draft regulation does, to a certain extent, support the consumer cause although this is not one of its primary aims. Products originating from an outward processing regime shall, according to the draft regulation, be exempted. Thus they shall bear the same

origin marking as products manufactured within the Community. This, on the one hand, might misinform the consumer (for example, blue jeans manufactured in Tunisia from Tunisian cloth would be marked "Made in Tunisia" just as jeans made in Tunisia from cloth originating from the Community would be. However, jeans manufactured in Tunisia under an outward processing regime either from domestic or Community cloth and exported to the Community would bear origin markings "Made in the EEC" or "Made in..." and the name of the EEC Member Country) On the other hand, this reflects the prevailing situation within the Community where certain member countries, especially those engaged in outward processing, would not accept that goods originating from outward processing are not marked in the same way as goods manufactured domestically.

10. The method proposed for origin indication (Article 30 of the Draft Regulation) seems to be satisfactory. More strict or detailed rules would not necessarily help to fight fraud, which is one of the major problems. The draft regulation, in leaving the responsibility for enforcing the rules with the customs authorities, thus, to a certain extent, supports the fight against fraud as it is more difficult to forge customs documents than origin labels. It also allows for double checking. The proposed methods of origin marking need not significantly increase production costs and cause unnecessary price increases on the retail market. The proposed methods of origin marking more or less correspond to consumer habits.

11. While there exists different opinions on the content of the list of textile products to which the draft regulation shall apply, this list in principle refers to MFA products. This may be judged favourably in view of the long term outlook. In particular, MFA is considered as a time-limited arrangement.

12. Opinions differ on the implications of Article 2 of the draft regulation. The aim of this Article which provides that "checking of origin indication shall only be carried out by the Member State in whose territory the articles are put into free circulation, whatever the final destination of these articles".

is to improve considerably the free circulation of products as compared to the current situation in which some Member States apply national rules and which indeed constitute an obstacle to the free movement of products within the Community.

Some members of the Committee, however, feel that the draft regulation gives too much power to national authorities which already have enough possibilities for delays and obstructions. On the other hand, it is understood that the draft regulation reduces checks to only one country within the Community. In addition, the draft regulation as such prevents the multiplication of new formalities and obstructions likely to result from the difficult economic situation in the textile sector. So if the draft regulation is rejected, there is every likelihood that, inspite of action taken at the Court of Justice, the existing national and protective rules will be maintained. Similarly, because of difficulties in the textile sector, common provisions favouring free movement of products within the Community, even if not completely satisfactory and not improving the given situation perfectly, would be preferable as they could constitute individual elements of a common industrial and structural policy which is needed for this sector. A more suitable solution to the problem of an improvement in intra-Community trade would be limiting the use of Article 115 of the Treaty by the Member States to a minimum. In view of the developments of the economic situation, this seems to be difficult to achieve in the short- and medium-term. Therefore the draft regulation, while not entirely satisfactory, constitutes a justified improvement.

13. The Commission says that the draft regulation is not another protective measure. The requirement to indicate origin of certain textile and clothing products is not, according to the Commission, an expression of protectionism because:

- GATT provisions do not prohibit marks of origin;
- some GATT contracting parties have already introduced similar regulations and others plan to do so;
- while French rules have been applied for more than one year, there have been no protests from third countries claiming this constitutes further protectionist measures.
- the draft regulation is not discriminatory as it applies to all third countries without exception.

Some members of the Committee feel that the draft regulation constitutes a non-tariff barrier. This is due to certain reasons which have led some member countries to introduce national rules on the indication of origin. Other members consider, in view of the current situation in which some member countries' national rules are applied, that this example may, in the near future, be followed by other Member States and, in view of other measures available, including recourse to the Court of Justice, that the draft regulation does not strengthen the degree of protectionism but may prevent further aggravation of the situation.

CONCLUSIONS

14. The draft regulation concerning the indication of the origin of certain textile products imported from third countries is not entirely satisfactory as it represents a political compromise trying to find a pragmatic solution to a number of conflicting dispositions such as:

- the fact that some member countries have already started applying national rules;
- an objective need to carry out the Treaty's provisions;
- the difficult situation in the Community's textiles industry;
- prevention of further restrictions on access to the Community of third countries' textiles and clothing articles and an attempt not to discriminate among third countries;
- a need to support intra-Community trade in the products concerned once they have been put into free circulation in one member state;
- a need to provide the consumer with better information.

The draft regulation is thus a pragmatic step to remedy a concrete problem in the same way as the MFA is not an entirely satisfactory but pragmatic answer to the current situation in the textile industry. However, as the MFA ought to be regarded as a transitory and time-limited arrangement, the draft regulation on origin indication should be regarded in the same way.

15. An alternative solution previously favoured by the European Parliament, i.e. that the Commission instead initiate proceedings at the Court of Justice against Member States which issued the rules on the indication of origin (c.f. Opinion given on April 9, 1981) does not resolve the immediate problem in a more satisfactory way.

This is because of delays at the Court of Justice and also because the case against the U.K. in particular is rather weak. Meanwhile, national

rules disrupting the free movement of products within the Community may be continued and further aggravate the market disruption in the short- and medium-term. At the same time the proceedings at the Court of Justice might not stop other Member States from applying similar regulations on the indication of origin.

16. Taking into account the above considerations, the Committee supports the draft regulation in principle, but requests the Commission to take appropriate steps to facilitate the functioning of the internal market and, in particular, to try and limit the use of Article 115 of the Treaty by Member Countries to a minimum. It also requests the Commission and the Council to carry out the policy of refraining from as far as possible fixing national quotas within the framework of the MFA.

It requests the Commission and the Council to support the necessary structural changes in the textile sector so that both the MFA and the regulation on indication of origin could be reconsidered soon.

It accepts the Commission's assurance that the draft regulation will not constitute a precedent for other sectors.

It urges the Commission to step up attempts to eliminate origin fraud and to help tighten up penalties for origin fraud and counterfeiting.

The Commission proposal does not contain adequate provisions to deal with the serious problem of counterfeit indications of origin; the prescribed indication of origin could even prompt some exporters to mark their goods in a misleading way. The Commission should be called upon to draw up new proposals to improve the procedures for detecting counterfeit indications of origin and to increase the penalties for infringements.

OPINION

of the Committee on the Environment, Public Health and Consumer Protection

Draftsman: Mr EISMA

On 18 March 1982 the Committee on the Environment, Public Health and Consumer Protection appointed Mr Eisma draftsman.

It considered the draft opinion at its meetings of 17 May and 22 June 1982 and adopted it on 22 June 1982 by 12 votes to 1.

The following took part in the vote: Mr COLLINS, chairman; Mr McCARTIN, vice-chairman; Mr JOHNSON, vice-chairman; Mr EISMA, draftsman; Mr BOMBARD, Mr FORTH, Mr GHERGO, Miss HOOPER, Mrs KROUWEL-VLAM, Mrs LENTZ-CORNETTE, Mrs SCHLEICHER, Mrs SEIBEL-EMMERLING and Mr SHERLOCK.

I. INTRODUCTION

1. The present proposal by the Commission differs from the previous text (Doc. 1-514/80) in the following respects:

- (a) an EEC regulation is now being proposed instead of a directive;
- (b) the proposal relates to third countries alone, thereby excluding internal movements between Community Member States;
- (c) compulsory indication of origin applies from the moment that the articles are put into free circulation in a Member State and is therefore the responsibility of the manufacturer or importer.

This latter amendment in particular has met the wishes of the Committee on the Environment, Public Health and Consumer Protection as outlined in a letter of 18 December 1980 (PE 69.810/fin.) by dispelling the uncertainty as to the accuracy of the required information and the unwarranted increase in costs.

II. SIGNIFICANCE FOR THE CONSUMER

2. For the consumer the indication of origin is of minor importance only. Much more important is the indication of composition, recommended treatments (procedures for washing, cleaning and maintenance), etc.
3. The indication of origin is important primarily for politically motivated consumers who do not wish to buy articles from certain countries.
4. In the Von Wogau draft report (PE 78.040/B, paragraph 3 of the annex), reference is made to the consequence of excluding articles subject to outward processing rules, i.e. a degree of preferential treatment in certain cases for articles of Community origin. From the consumer's point of view the committee does not consider this to be a major objection.
5. The Commission's proposal obviously does not prevent Community producers from voluntarily indicating the country or region of origin on their products if they consider this to be desirable as a mark of quality (for example, cashmere from Scotland).
6. The committee does not consider that any difficulty will be caused by the minimal increase in costs resulting from the proposed regulation.

III. RECOMMENDATION CONCERNING ARTICLE 4

7. The Committee on the Environment, Public Health and Consumer Protection proposes to the Committee on Economic and Monetary Affairs that an amendment be tabled to Article 4, seeking the deletion of the second part of the sentence following the words: 'labelling purposes', which reads: 'or in that or those of the country in which the product is put into free circulation'. The committee considers this option to be impractical for internal transit within the Community. If an article is imported into the Netherlands and transported onwards to Greece, of what value is the indication in Dutch for a Greek-speaker?

IV. CONCLUSION

8. The committee considers that the benefits of the Commission's proposal are of marginal significance from the consumers' point of view.

9. The committee proposes to the Committee on Economic and Monetary Affairs that Article 4 be amended as indicated in paragraph 7 above.

