

# Do chips taste better in the Czech Republic?



The ideal of a level playing field throughout the EU has been called into question by troubling recent developments, says Sebastian Emig

**WHEN** Boris Yeltsin visited the USA in 1989, it is said that he was amazed by the variety of food on offer in a Texan supermarket, when so much was simply unavailable behind the Iron Curtain. Fast forward to 2017 and EU citizens in the Member States to the East expect to enjoy access to the same variety and quality of food as those in the West. But is that always the case?

Since the beginning of this year, European food and beverage manufacturers have been watching what's happening in several Eastern European countries with alarm. Health- and food-related government departments, as well as politicians at the highest level, are claiming that foods that are produced by multi-national companies and sold in their markets are of inferior quality. They declare that their citizens are being treated as second-class in comparison to their cousins in Western Europe.

To substantiate this claim, several national consumer associations and food-related national authorities have conducted studies to compare food and beverage products (as well as non-food products) being sold in their local market with the same brands sold in neighbouring countries.

Having performed a rough analysis of the outcomes, one can say that there are differences between markets -mostly related to the local taste preferences, local sourcing of ingredients or in response to local regulations. However, there is no evidence of negative bias towards foods sold on Eastern European markets.

In a nutshell, it is - as is increasingly common in many political debates - mostly about perception. Some people in Eastern European countries feel that they are not on an equal footing with their Western European peers and that this imbalance is reflected in the foods they can access locally.

This debate climaxed in two astounding developments.

First, the right-wing prime minister of Hungary, Viktor Orbán, described the difference in quality as the "the biggest scandal of the recent past". This led Hungary in mid-May to draw up a draft national regulation prescribing new labelling obligations for products placed on the Hungarian market, wherever they have different ingredients or a different ratio of ingredients from products with the same name and appearance sold in countries outside Hungary. The labelling obligation consists of a "relevant distinctive warning". Following the submission of detailed comments from some other Member States, as well as the European Commission, the standstill period requiring a pause in any further steps towards implementation ran until 20 November 2017.

The second development came when Bulgaria's leader, Boyko Borissov, suggested that the differences represent a "food apartheid". This attitude is especially worrying since Bulgaria will assume the presidency of the European Council in January 2018.

In the midst of this turmoil, the food and beverage sector turned

to the European Commission to help clarify the situation and calm everyone down.

Having talked to Vera Jourová, the European Commissioner responsible for justice and consumers, the industry was assured that European Commission president, Jean Claude Juncker would raise the topic in his annual State of the Union speech in September as a way of injecting some common sense back into the debate.

Juncker did indeed bring it up, but surprised everyone by taking a completely different approach. He warned that it was no longer tolerable for those in the East to be sold inferior food and drink: "In a Union of equals, there can be no second-class consumers. I will not accept that in some parts of Europe, people are sold food of lower quality than in other countries, despite the packaging and branding being identical. ... Slovaks do not deserve less fish in their fish fingers, Hungarians less meat in their meals, Czechs less cacao in their chocolate."

For the moment, Commissioner Jourová has promised that the European Commission will not "name and shame" the companies involved - but she said she was prepared to do so if they did not change their behaviour. In an interview with a British newspaper she went even further, suggesting that there have been years of deception and the food and drink industry has been covering its tracks by seeking to ridicule those who complained about the issue.

One can only wonder why the Commission is waking up only now, if

the topic is supposed to have been on its radar “for years”. Hypothetically, one might think it had opted to sacrifice the food industry in an attempt to counter anti-European sentiments, which are getting stronger in those Eastern European countries that allegedly face the issue of dual quality in food and non-food products.

At the end of September, the Commission issued guidance on how Member States can tackle any allegations relating to alleged double standards through the use of the Unfair Commercial Practice Directive. It also intends to give money to the allegedly affected states, so they can further investigate the matter.

For our members, rest assured that the ESA Secretariat will continue to monitor developments. We will remain transparent and open, maintaining our position that whatever the recipe, our products always meet the highest standards and remain the safest in the world, and that our members have rigorous quality management systems in place to ensure consistent quality across their brands in every market in which they operate.

## PROTECTIONISM VS THE SINGLE MARKET

Allegations over the dual quality of foods around the EU could be seen as symptomatic of a wider and arguably even more disturbing issue that has been gaining traction over recent months: nationalism and the trend towards more protectionist economic policies. Looking at our industry in particular, country of origin labelling (COOL) measures adopted by several individual Member States are a good example.

Let’s keep things simple by taking a look at what’s happening in Italy, which is only one among several countries that have recently taken action to protect their local industry

to the possible detriment of the Single Market. In the summer, Italy passed two laws demanding that all food producers label packs of durum wheat and rice to indicate which country the ingredients come from. In addition, the Italian ministry of agriculture declared its intention at the start of September to include the origin of primary ingredients on the labels of tomato-based products.

These moves are clearly a challenge to the guardians of the Single Market at the European Commission, who have insisted for years that these kinds of “made in” labels undermine the Single Market by encouraging consumers to buy local. On top of that, Italy did not formally notify the European Commission of the move, as the law demands.

It all puts the European Commission in a strategic dilemma over whether to allow Member States to take a protectionist approach to support struggling domestic industries, even if those measures endanger the sanctity of the Single Market.

President Juncker, whose outspoken remarks put him firmly on one side of the debate about the alleged dual quality of foods (see above), will have to fight off accusations of double standards if he waves through Italy’s new labels. That’s because the European Commission has previously slapped infringement cases on countries from Poland to Bulgaria, arguing that former communist states unfairly support local farmers with restrictions on big foreign retail and farm investors.

To pour further oil onto the fire, it recently came to light that in 2016, the European Commission allowed France’s origin labelling on milk and meat products, despite warnings from its own technical and legal experts. The decision came at a time when France faced both the risk of a

dairy crisis and the threat of political upheaval, with a French anti-EU party potentially taking over the government.

Through requests for access to Commission documents, a newspaper accessed several of the internal opinion papers analysing France’s request. It is clear that the request was granted despite the opinion of two of the most powerful Commission departments - competition and internal market. These departments judged that the French labels were illegal and put the Single Market at risk. Other related departments were more inclined to allow France this exemption. However, they all noted the threat to the Single Market.

It seems that this very favourable political gesture was based on the ailing political and economic conditions of France at the time, while putting at risk one of the highest principles of the European Commission: the Single Market.

What was the Commission’s reaction when confronted with its behaviour? A spokesperson said: “This Commission is a political Commission and therefore is not detached from political realities.”

## LOOKING AHEAD

Finally, I would like to thank all the members personally for supporting the Secretariat this year and I think we can look with confidence into our sector’s and association’s future.

All that remains is for me, on behalf of the entire ESA team, to wish you and your families all the very best for the festive season and for a happy and prosperous New Year. ■



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