

**VISIT OF COMMISSIONER KUNEVA TO JAPAN - SEMINAR ON CONSUMER POLICY
CONSUMER PROTECTION IN THE 21ST CENTURY - THE EXAMPLE OF EUROPE
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SPEECH

Minister, ladies and gentlemen,

I would like to thank the Ministry of Foreign Affairs, the Ministry for Consumer Affairs and His Excellency, Ambassador Odano, for inviting me to share my views on consumer policy.

The establishment of the Consumer Affairs Agency in Japan is a very welcome development. It is a strong political signal and a timely recognition of the importance of consumers for the economy.

In Europe, we have placed consumers right at the centre of policy making.

Consumer policy is not only a political necessity; it is also an economic necessity. European consumers constitute a marketplace of almost half a billion individuals, accounting for almost 60% of our GDP.

Clearly, consumers are a driver of our economy and competitive markets are the best mechanism to deliver them value and choice.

In our increasingly interdependent and service-driven economies, the prosperous businesses are those which meet the expectations of consumers. However, market dynamics work only if consumers play their part too. Well informed and proactive consumers are critical factors of healthy markets and catalysts of competition.

For this reason, European consumer policy is about putting power in the hands of the consumer. Consumers should be given the right tools to enable them to make informed choices. They should enjoy the same rights, wherever they are in Europe and wherever they shop. At the same time, they should be protected against risks which they cannot address by themselves.

I would like to draw on the European experience by briefly recalling how we arrived at today's European Consumer Policy.

The story of European Consumer Policy

It actually all began with a legendary speech by John F Kennedy back in 1962. He famously said,

"Consumers by definition, include us all". "They are the largest economic group, affecting and affected by almost every public and private economic decision. Yet they are the only important group... whose views are often not heard."

In his speech, Kennedy defined the four basic consumer rights which are also at the core of European consumer policy:

- The right to safety – to be protected against the marketing of goods which are hazardous to health or life;
- The right to be informed – to be protected against fraudulent, deceitful, or grossly misleading information, and to be given the facts one needs to make an informed choice;
- The right to choose – to be assured access, wherever possible, to a variety of products and services at competitive prices;
- The right to be heard – to be assured that consumer interests will receive full consideration in the formulation of government policy, and fair and expeditious treatment in its administrative courts.

These principles have guided us in developing measures, both legislative and non-legislative, designed to safeguard consumers' rights and to complete the European Internal Market, based on the free movement of goods, capital, services and persons.

Europe-wide rules and rights are now firmly in place in a number of areas such as health and safety requirements for consumer products, price transparency, unfair contract terms, consumer sales and guarantees, unfair commercial practices and misleading advertising.

Key consumer rights have also been developed in wider EU policies which have an impact on consumers, notably air transport, telecommunications and energy.

Achievements

The journey initiated forty years ago by the six founding countries of the European Union (or the European Community as it was called back then) is immense.

It has resulted in the creation a fully-fledged Department, or Directorate-General, for "Health and Consumers" and to the creation of the very first post of European Commissioner for Consumers, a post which I have had the privilege to occupy for almost three years to safeguard the rights of consumers all over Europe.

Beyond these institutional developments, I would like to give you some practical examples of how we have made a real impact on consumers' lives. I would like to focus on five specific areas: product safety, consumer rights, information on consumer markets, enforcement and redress and consumer education.

Product Safety

First, we can safely say that nowadays consumers are better protected from serious risks and threats.

When, two years ago, millions of unsafe toys and other familiar household products were withdrawn from the shelves all over the world, we took action.

We have carried out a wide-ranging fact-finding exercise to review the strengths and weaknesses of the product safety mechanisms currently in place in the EU.

This exercise has shown us that our overall framework was "fit for purpose". It has also revealed that supply chains were deeply interconnected and that the responsibility for global product safety was a shared responsibility.

We have seized the opportunity and transformed the way we cooperate internationally, notably by engaging more closely with major exporters to the EU, particularly the United States and China.

Consumer Rights

Turning to consumer rights, I am convinced that better regulation is not only for lawyers and the judiciary. It is for individual consumers, who should be able to invoke solid consumer rights when they are in trouble.

We have already made some progress on this with a new European law, the Consumer Credit Directive, which helps consumers by ensuring that information is presented in a common, comparable format and in clear and simple language.

In addition to this, the European Commission recently proposed another important law, the Directive on Consumer Rights, which would simplify, harmonise and modernise some key aspects of consumer contract law. Concretely:

- It contributes to the creation of a real retail internal market, by replacing the current patchwork of different national rules with a single coherent set of harmonised rules that would apply right across Europe;
- It simplifies the regulatory framework by bringing four existing EU laws together into one coherent legislative instrument.

Information on Consumer Markets

A few years ago, we adopted a new market monitoring approach which focuses on gathering solid evidence to support policy.

I have promoted this evidence-based approach in consumer markets by establishing a yearly Consumer Market Scoreboard.

The central purpose of the Scoreboard is to make the market more transparent and accountable to citizens. It does so by measuring key indicators such as the degree of satisfaction of consumers, the prices they pay or the choices they have.

As a result, today, we have a better understanding of consumer markets and how they work – or don't work – for consumers.

At the beginning of this year, we launched a second Scoreboard, which looked into more than 20 sectors - from energy to telecoms. The results showed that the services market performs less well for consumers, compared to the goods market. Overall, we aim to look at over 50 markets in total.

When there are indications of consumer detriment in a specific market, an in-depth analysis will be conducted to identify the reasons behind the failure and to suggest possible solutions.

We have already launched such detailed investigations in the fields of e-commerce, retail financial services and energy markets.

Enforcement and Redress

Of course, giving consumers substantive rights is important. But the effect is only limited if they are not backed by enforcement and effective redress for consumers.

Consumers cannot make optimal use of their rights unless they can easily obtain redress in case things go wrong.

This is why the Commission has put in place various tools to provide consumers with advice and redress mechanisms.

The European Consumer Centres Network, which has offices in each European country, offers consumers information and advice on cross-border shopping, making sure that they are aware of their rights and helping them find a solution to their complaint. Last year, it helped more than 62.000 consumers!

Another success story is a small claims procedure for cross-border disputes. This procedure simplifies, speeds up and reduces the costs of litigation for claims of up to €2 000. [260 000 JPY]

We are also examining the issue of collective redress for cases where a group of consumers has been affected by the same or similar infringement by a single trader.

I must stress that it has never been our aim to create a "claims culture" in Europe. I want us to maintain our existing European legal culture. However, mechanisms with adequate safeguards against abuses and minimal costs for all involved should be our ultimate objective.

Collective redress can provide an alternative to cases where taking action individually is not feasible because litigation costs may be disproportionate to the value of the claim.

Information and education

I am convinced that both the efficient functioning of Europe's economy and the well-being of society depend not only on proper legislation and enforcement, but also, to a large extent, on consumer awareness and how individual citizens use their power of choice.

I consider consumer education to be the consumer's first level of defence. I firmly believe that it is in the common interest of all stakeholders to empower the consumer as much as possible.

We have made some progress in this area thanks to a number of our information and education initiatives, such as:

- information campaigns on consumer rights in countries who recently joined the European Union;
- an online educational tool on consumer rights;; and
- a European diary specifically for teenagers which contains the basics on what the European Union offers in areas relevant to young people such as travel, nutrition, or money matters.

Implementation and Cooperation with Member States and Consumer Organisations

I firmly believe we can only succeed in our objectives if we all work together. Governments, consumer organisations, industry, and ourselves – we all have a role to play.

Cooperation with national authorities is an essential piece in this jigsaw, as the development of consumer policy at European level is a competence which is shared with our national governments.

The European Union is a unique geo-political system of 27 countries, with 22 official languages, and many more cultural, legal and administrative traditions. We have to respect these traditions.

This is one of the aspects of the principle of subsidiarity, which I am glad Prime Minister Hatoyama outlined in a recent article in the publication, "Voice".

This principle basically means that decisions must be made at the most appropriate level that is closest to our citizens, be it the local, regional, national, or indeed European level.

It also means that we have to find ways to cooperate on issues of common interest.

One good example is our Consumer Protection Cooperation (CPC) network, set up almost two years ago as a powerful tool for national authorities in Europe to work together in the fight against cross- border infringements of EU consumer laws.

It also carries out annual joint enforcement exercises in the form of targeted inquiries, or so-called "Sweeps".

During these sweeps, national authorities in all our 27 member countries systematically screen a given sector for compliance with European law and take appropriate action in cases of non-compliance.

There have been three sweeps so far. These have been on websites selling airline tickets, mobile phone services and electronic goods.

Enforcement has been the cornerstone of my role as European Commissioner for Consumers and I am proud that we have made so much progress in this area in such a short time.

This would not have been possible with the cooperation of our partners, particularly consumer organisations. These organisations play a crucial role in ensuring that consumers are aware of their rights and are able to use them in practice. Due to their experience at the grassroots, they are in a good position to contribute to the development of European policies.

We facilitate this through a number of specialised fora, such as the European Consumer Consultative Group (ECCG), which is made up of representatives of consumer groups from all 27 countries.

Such fora also give us policymakers the possibility to regularly consult consumer groups on European issues affecting consumers.

We also give financial support to two European consumer groups: One is BEUC, the most prominent umbrella organisation representing consumers Europe-wide. The other is ANEC, the organisation representing the European consumer voice in standardisation.

It is largely national authorities who are responsible for providing financial support to national consumer. Nevertheless, at European level, we offer other support such as training courses to consumer groups in areas such as public relations and European Consumer Law.

Finally, as consumers are directly affected by many European policies - from the environment or financial services to transport - we are working very closely with other Commission departments to ensure that the interests of consumers are taken into account into our collective policymaking.

Let me give you one example from the energy sector. Last year, we undertook a root-and-branch reform of this sector, creating a competitive internal energy market which would bring down prices, improve effects on the environment and securing our energy supply.

Following this reform, we established a Citizen's Energy Forum which, for the very first time, brought together all parties to the table to discuss specific ways forward to develop more consumer-friendly markets.

Consumer representatives have made an important contribution to this forum. For example, they have provided key input into recommendations on more user-friendly energy bills which, I hope will be used as a benchmark to make bills clearer and more transparent.

WHAT ABOUT FUTURE CHALLENGES?

And what about the challenges that still lie ahead? The economic crisis, has hit us all hard. Each and every day, people are losing their jobs, their homes and their livelihoods. It has also been a brutal reminder of the urgent need to plan more carefully the future.

Retail Financial Services

This not only applies to governments, but also to individuals.

Unfortunately, in times of economic hardship, vulnerable consumers can fall prey to unscrupulous traders.

Consumers operate in markets that are increasingly complex and increasingly risky. Nowhere is this more apparent than in retail financial markets. Many citizens have lost substantial amounts of their savings and retirement nest eggs in the past couple of years.

Although investments in financial markets come with the risk of a loss, it seems that many people had risk exposures that were much higher than they expected.

We know for a fact that it is next to impossible for consumers to handle the risks of, for example mortgages, or investments products. We would never allow consumers to take that amount of risk with sunscreens, so why should we allow it with services?

Part of the problem is the inability of consumers to properly assess the information that they are given about their investment products.

Only adequate pre-contractual information for financial products which is comprehensive, clear and allows consumers to compare offers gives consumers a chance to make the right decision when signing up to their investments, pensions and loans.

We have already made progress on standardised and comparable information. A new European law called the Consumer Credit Directive aims to help consumers by presenting information about financial services in a common, comparable format, in clear and simple language.

We now want to extend standardised, comparable pre-contractual information to all relevant areas of banking, credit and investment.

Digital Agenda/ Online retail

Another future challenge is the European market in online retail. The online market is growing in importance. The Internet presents an enormous opportunity for consumers and businesses. Consumers embrace the technology and drive forward innovation online. It enables them to reach markets and traders they would otherwise never have heard of. It is also one of the most empowering tools for consumers because it makes it possible to compare products, suppliers and prices on an unprecedented scale. A third of European consumers are already shopping online. I am sure you have a similar share of online shoppers in Japan.

However, the promise of the digital world does not, at present, extend beyond our national borders: European consumers do not have access to a single online internal market. More often than not, it is simply impossible for consumers to find a foreign trader that will accept to sell to the consumer's country. Cross-border transactions fail 6 times out of 10.

This is a worrying statistic, particularly given that around half of all the goods could have been at least 10 % cheaper if bought in another European country.

So what is the solution?

For businesses, a simplified regulatory environment and streamlined reporting requirements would be the way forward.

For consumers, we have to improve commercial practices online. Marketing practices online should be fair. Yet, we still witness persistent problems such as fake offers and undisclosed contract terms. The same problems exist in the offline world and should not be tolerated.

The online environment must also remain safe and trustworthy. Our research shows that even the most confident internet users, who are usually those aged between 15 and 25, are convinced that their personal data is being used without their knowledge. This means that the collection of personal and behavioural data online for commercial targeting must be fair and transparent.

Sustainable consumption

Finally, as world leaders are now assembled in Copenhagen for crucial climate change negotiations, this is an opportune moment for me to highlight the important issue of sustainable consumption. Our current patterns of consumption and production have significant environmental impacts.

Individual households consume over one third of final energy used in Europe and produce about two thirds of municipal waste. Much can be done to make the way we consume and produce in Europe more sustainable.

We need an overarching policy that will encourage people to consume in a more sustainable way while, at the same time, promoting energy efficiency and competitiveness.

Individuals have become aware of this issue but their actual response is less straightforward. More than 80 % of Europeans are concerned about climate change and the environment but only 10-15% of consumers translate their concerns into concrete actions.

What we are ultimately looking for is a behavioural change – a fundamental shift in the way consumers balance immediate benefits and long-term needs. I believe the sustainable choice must become an easier choice.

This requires clear product information based on agreed methodology so that consumers trust it and can easily compare products.

What is also required is a wider availability of sustainable products, which are not more expensive than less sustainable ones - and they must not be perceived as a "luxury" option, but rather the norm.

INTERNATIONAL PARTNERSHIPS

Sustainable consumption is only one of the global challenges that we face today.

As products originate from all over the world, if something goes wrong at the point of production, and it is not addressed quickly and effectively, it will reappear somewhere else with severe consequences. The large-scale toy recalls from 2007 are poignant reminders of this.

It is clear that in open and interdependent markets, responsibility for global product safety is a shared responsibility.

Enforcement and controls have to be constant and consistent all over the globe. Only such an approach would avoid the pitfalls of protectionism and would allow us to benefit fully from the global, open market.

That is why we have been active in developing closer ties with our international partners. For obvious reasons, we have, so far, mainly directed our bilateral work towards the USA and China.

We have also been active in multi-lateral fora, such as the OECD and the International Consumer Product Safety Caucus. I am grateful to the Japanese Government for playing a very constructive role in these organisations as well.

People need to know that regulators are working together to manage risks. They need to know that there is a system of rules and controls that places their safety and well-being at its very heart.

Conclusion

I have given you a broad overview of what European consumer policy has achieved in almost 50 years of existence and what challenges and opportunities still lie ahead.

I believe that the main challenge for the future consumer policy is giving consumers the confidence and the means to shop wherever they are and wherever they shop. Only then will we achieve open and competitive markets, whilst at the same time creating jobs and growth. And this is all the more vital in the context of these difficult economic times.

With this in mind, I sincerely wish you every success for the future and I look forward to hearing the success stories of your new Consumer Affairs Agency.

Thank you.

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