

**ADDRESS BY MR ROBERT J. COLEMAN**

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**EUROPEAN COMMISSION**

**TACD LEADERS MEETING**

**4 DECEMBER 2002 - WASHINGTON, DC**

## 1. SPEAKING POINTS:

- Ladies and Gentleman,
- I am delighted to be here in Washington to be able to outline the most important recent developments for consumer policy within the European Union.
- But first I want to say a few words about the importance I attach to this forum. In my view, it provides an essential, high profile strategic platform to ensure that consumer issues gain the prominence they deserve, with governments and industry stakeholders on both sides of the Atlantic.
- This is necessary given the far-reaching effects of greater free trade between the EU and US and the impact of e-commerce. Deregulation, competition and access to markets has given companies greater customer reach. E-Commerce has eroded geographical and logistical barriers changing the way everyone does business. Consumers should benefit in this process as it potentially offers greater choice, better service and lower prices. However, the challenge for both consumer policy-makers and representatives is to ensure that consumers interests are effectively integrated into other policy areas.
- The continuing strength of this dialogue is twofold:
  - First, sharing your knowledge and experience of consumer advocacy, problems and solutions should reinforce your influence and expertise not just on a transatlantic level but also nationally. I have personally seen, for example, many strengths in US legislation which could make consumer protection more effective in the EU, and there are things that the US can learn from us.
  - Second, consumer representation is inevitably swamped by the many groupings of business stakeholders both at regional and global level. The coming together, therefore, of EU and US consumer advocates is essential to provide a counter-balance from which to voice a collective influence.
- The combination of these strengths, I hope, should ensure that the EU-US consumer protection debate is not reduced to aiming for the lowest

common denominator but strives for a high level to generate sustained consumer confidence.

- The Commission is committed to further development and cooperation with the TACD, including financial support. Only last week, the Commission has sent (in an informal way, as time did not allow for official transmission) written replies from our services to the resolutions issued at the TACD conference. In addition, last year, the Commission gave the TACD early notice of upcoming issues of consumer interest so that they have time to make their views known before decisions are taken. We are continuing this commitment and we have now provisionally updated the list. A final version will be sent to TACD at the beginning of next year.

Let me now turn to a number of recent developments within the EU:

- On 14 December the EU Heads of Government and State will meet at the European Council in Laeken to formally launch a debate on the future of the European Union which will address, among other things, how the EU can best meet the demands of its citizens.
- Within consumer policy a reflection on the place and importance of consumers has already begun. This involves a consideration of how the demands of consumer protection and the European internal market can be better reconciled in future, to their mutual benefit.
- Looking out for consumer interests means trying to improve consumer choice, improve the quality of goods and services and bring about lower prices.
- In Europe, the internal market, guaranteeing the free movement of goods and services, is an essential element for consumer objectives. Enabling consumers to benefit from offers from all round Europe is essential to improving their welfare. But in the same way, helping business to tap into consumer demand throughout the EU is critical to the competitiveness of the EU economy and to business interests. In short, the Internal market and Consumer interests are complementary. Consumers need open markets. Business needs confident consumers and a simpler regulatory environment.
- Two major initiatives have begun to address these issues: First, the forthcoming Commission strategy for consumer policy from 2002-2006 and second, a Green Paper on EU Consumer Protection.

### **Commission Strategy for Consumer Policy**

Let me begin with our overall strategy for the future. Since 1990 the framework for EU consumer policy has been provided by three-yearly action plans, including the current action plan that runs until the end of 2001. However, our evaluation of progress under these plans is that we need to take a more strategic approach for the future if we are to be effective. We are therefore developing a set of medium-term strategic objectives to provide a framework for future action on consumer protection.

In developing our ideas we have relied upon the experience from the present action plan, and we have also been heavily influenced by the prospect of enlargement which will arrive during the next action plan. Integration of consumer protection requirements into other policies is also crucial. Consumers are affected by policies in a wide range of areas, as is shown by the range of different subjects on the agenda for this meeting, and it is essential to ensure that those policies take consumer protection requirements into account.

The first strategic objective is a **high harmonised level of consumer protection across the EU**. Cross-border commerce is increasing and will do so further in coming years. The introduction of Euro notes and coins, the completion of the internal market and further growth in electronic commerce will all drive more cross-border transactions. But if consumers cannot count on similar protection when buying from suppliers in other Member States as in their own country, they will be much less willing to shop across borders. Consistent, harmonised consumer protection across the European Union is needed to overcome this.

How can we go about achieving this? Traditionally, the approach has been for detailed rules tackling particular problems. Laws of this type have achieved a great deal. But they have their limitations. There is a certain minimum time it takes to develop and enact this kind of legislation, in order to ensure good-quality and democratic lawmaking. However, out in the real world, companies are making every effort to speed up their ability to introduce changes and improvements. The average time delay from academic discovery to commercial launch is vastly shorter now than it was a decade ago. Innovations might have taken ten years to percolate from one side of the world to another a generation ago. Now the time is closer to ten months. We need to adapt our policy-making processes to reflect this.

In concrete terms, this means moving away from detailed legislation setting specific rules to more general framework legislation setting objectives. This reflects this general approach set out in the recent Commission White Paper on European Governance. In the area of consumer protection, we already have a successful example of this approach with the General

Product Safety Directive. This can provide a basis to build on for the future.

The second strategic objective is **effective enforcement of consumer protection rules**. This needs to go beyond just transposing EU rules. At the moment, enforcement activities are not co-ordinated at European level. The ability of enforcement agencies to act when they are faced with cross-border problems is piecemeal. The harmonised rules to be developed under the first strategic objective will themselves make it easier to have consistent enforcement across Europe. However, we also need to strengthen practical enforcement co-operation at European level. We also need to ensure that the “watchdog” contribution of consumer organisations is fully included in this work.

The third strategic objective is **proper involvement of consumer organisations in EU decision-making**. Consumers should have the opportunity to influence policy development at early stages. This does not just mean Commission proposals dealing specifically with consumer policy. Consumers are affected by the full range of internal market legislation and beyond. There needs to be systematic integration of consumer concerns into all relevant policy areas. Proper involvement of consumer organisations is an essential requirement for achieving this, and for putting in place the principles set out in the White Paper on European Governance.

The international dimension of consumer protection is also important. As markets become more global, consumers have access to more products and services than before. However, this also brings consumers into contact with more suppliers outside their own country than previously. This seems to me to be a good reason for consumers to work together to examine common problems and also common solutions. We would very much welcome the input of the TACD on these questions.

Our overall approach is set out in a discussion document “Ideas for a Consumer Policy Strategy” which is available from our website. This document has been the basis of a series of consultation meetings with consumer organisations, business representatives, MEPs, and representatives of the Member States. The comments we have received are wide-ranging and detailed. They will provide a valuable contribution in preparing the final strategy, which should be adopted by the Commission early in 2002.

### **Green Paper on EU Consumer Protection**

- One of the principal objectives outlined in the draft strategy is for a high and harmonised level of consumer protection regulation. The Green

Paper aims to stimulate a wide debate on options to improve the functioning of the business-to-consumer (B2C) Internal Market. It sets out two main strategic options for the future development of EU regulation of B2C commercial practices.

- The first option is a strategy based on further harmonisation addressing specific issues and to continue the approach of the last two decades.
- The second option is based on complementing specific legislative measures with a framework directive covering B2C commercial practices. Such a framework directive would contain a comparable provision to the US Federal Trade Commission Act to give greater flexibility in tackling bad business practice. In addition, it equally sets out options for ensuring and improving enforcement of consumer protection rules. The outcome of this debate will set the stage for future policy development with respect to business-to-consumer commercial practices and consumer rights.
- Rules on consumer protection must meet the challenge posed by a rapidly changing marketplace. Existing Community legislation often lags behind new market developments. There are also many national laws regulating marketing practices and advertising with the aim of protecting consumers, but they differ from one country to another. This creates major legal uncertainty for companies wanting to do business abroad and constitutes a major disincentive for consumers wanting to use opportunities to get a better deal across border. It also reduces the effectiveness of the Internal Market in delivering better price, choice, quality and service.
- Consumers and business are not fully benefiting from the potential of the Internal Market, as the limited volume of cross-border shopping shows. And enlargement of the EU without further harmonisation of consumer protection rules would mean an even further diversity of national rules. The EU must create the right legislative environment for consumers to be confident about their rights, both at home and when dealing with a business in another EU country, and for even small businesses to be able to trade freely throughout the EU.
- The Green paper also develops ideas for better enforcement of consumer rights in B2C transactions. Currently there is no formal framework for co-operation between the bodies enforcing consumer rights in Member States. Ideas are developed in some detail about setting up a system for co-operation between national consumer protection agencies and bodies to help consumers to get their rights respected abroad. Such a framework

would also substantially improve the effectiveness of co-operation between the EU and US enforcement authorities.

- I invite you to enter into the debate on the Green Paper. Many consumer organisations will be taking part in the ‘hearing’ on the Green Paper that we are holding this Friday 7 December, and I hope will also be submitting written contributions.

Another development has been in relation to **consumers’ access to justice**.

- Consumers want reassurance that cross-border shopping will be problem free and that if things go wrong they can seek redress. Encouraging the development and improving cross border access to Alternative Dispute Resolution (or ‘ADR’) is an essential component of boosting consumer confidence, especially for e-commerce.
- The European Extra-Judicial Network (or ‘EEJ-net’), launched on 16 October as a pilot phase, provides a communication and support structure made up of national contact points (or ‘Clearing Houses’) to provide consumers with information and assistance in making a complaint to an ADR in the country where the business is located.
- Its purpose is to address the practical obstacles consumers’ face if using an ADR in a country other than their own. Primarily those barriers involve lack of information about foreign ADRs as well as linguistic and geographical barriers that make it difficult for the consumer to make a complaint in the first instance. In addition, EEJ-Net will have a monitoring function to ensure that all ADRs act in a fair, impartial and effective manner for all users.

I now turn to the issues raised at **the launch of the new Round of WTO negotiations in Doha**.

- My colleagues from DG Trade will no doubt provide a more detailed assessment but I would just like to stress some key consumer interest points in the Ministerial Declaration:
- First, I believe it is essential that the Declaration recognises the right of Members to take measures they deem appropriate in the field of health, safety and environment protection. This has particular relevance in the context of our approach on precaution and labelling.
- Second, our objective that non-trade concerns be part of the Agriculture negotiations is reflected in the Declaration. In particular, there is recognition of the proposals in the area already submitted by Members, including our proposal on food safety.

- The adoption of the Ministerial declaration on TRIPs and Public Health is an indication that the WTO is supportive of public health matters and that intellectual property is part of the solution to the tension between public health objectives and the interests of private companies.
- The Declaration reaffirms an important principle for us: that is the right of Members under the GATS to regulate, and to introduce new regulations on the supply of services. This also recognises the importance of creating and maintaining an environment, which is favourable to the future development of e-commerce.
- Finally, the commitment to make the WTO's operations more transparent, to improve the dispute settlement system and to improve dialogue with the public is essential to make the WTO open to citizens.
- Consumer organisations have played a crucial role to raise the political importance of these issues close to the heart of consumers before and in Doha. This Declaration confirms that the WTO decisions for further trade liberalisation and better rule-making take increasingly into account the concerns of consumers in the EU and worldwide.

### **Food issues**

- As you know, in common with other parts of the world, the EU has had a number of food safety scares resulting from contamination problems in food. They have contributed to a reduction in the confidence of consumers and trading partners in the safety of the European food supply.
- The proposal for the Regulation on the general principles of food law and the establishment of the European Food Authority ('EFA') is at the heart of our drive to improve trust in the regulation of the European food supply and in communication on risks. The EFA has one important advantage over the other institutions, as its proposed constitution is one of an independent organisation, free of political or other vested interests. It will act with openness and transparency, publishing immediately its findings concerning risks to consumers.
- It will hold meetings in public; and its selection processes for scientific staff and its other personnel and its methods of working will also be open to public scrutiny.
- Not only is the involvement of the general public essential in the risk assessment process through the development of open transparent procedures but also we are looking at how we address greater public

involvement in the risk management process. The General Food Law part of this Regulation, will require the Commission and the national food safety bodies, proposing legislation, to consult openly with the public, either directly or through representative bodies during the preparation of food law. Integrating the citizen better into the process of developing regulations can in our view only increase trust in the overall process.

- The Council of Ministers adopted a Common Position on 17 September 2001 and a final political agreement can be expected by the end of 2001, with a formal adoption of the Regulation potentially early in 2002. In addition to the discussions on the Regulation, the Commission is working on the practical planning aspects necessary to create a new, independent, complex organisation.
- But we are also very conscious of the need to establish the constituent elements of the Authority as soon as possible after the adoption of the Regulation. Shortly we will start recruiting the new Management Board, Executive Director and staff, and establishing our new system of scientific risk assessment. The decision where to locate the body should be concluded by the end of year and work now begins on ensuring that the Authority is a real, functioning body, and not just a creature on the European statute book.

One of the big food-related issues of the moment is **biotechnology**:

- It is high on the Commission's agenda and it is high on the agenda of the US administration. There are different public attitudes on both sides of the Atlantic to the issue. The vast bulk of the 44 million hectares of GM food crops grown globally is here in the United States. In Europe there is hardly any grown. There is an irrational fear of GM food in the EU. On the other hand, there are irrational fears on this side of the Atlantic about how we in Europe are proposing to address the issue.
- The effective moratorium on new approvals in the EU is an unfortunate situation. It has serious implications for European industry, agriculture and research. It creates legal uncertainty. And it has had an impact on US exports to the EU.
- The fact is that a number of EU Member States have since 1999 demanded a more stringent and transparent regulatory framework for marketing authorisations and a labelling and traceability regime for GMOs and GMO-derived products.
- Their position is that pending the adoption of such rules, and in accordance with preventive and precautionary principles, new

authorisations for growing and marketing of GM products should remain suspended. As a result, the authorisation of both pending and new products has come to a grinding halt.

- Commissioner Byrne has stated that he intends to get the approvals process moving again. In March 2001 the Commission put new environmental legislation on the statute book, providing a stricter and more transparent regulatory framework for deliberate releases of GMOs into the environment.
- In July we put forward the proposals for traceability and labelling and for streamlining the authorisations of GM food and feed. These proposals have been generally well received by Members of the European Parliament and the EU Council of Ministers, who now need to discuss and adopt them.
- For the moment, however, the exact timing and conditions for the resumption of authorisations remains undecided, to be resolved in further discussions. There are a host of pragmatic and legal issues that need to be addressed, but the Commission is determined to push the issue forward.
- A lot of damage has been done by the polarisation of the GM issue. Thus, even with new approvals coming through and new safety laws in place, it will take time to get consumer confidence back.

I would like to conclude with a few words on the **role of new technologies**.

- Much emphasis is placed on the benefits that new technology can help consumers realise. However, new technology can also be used to optimise the work of consumer representatives. Being able to take advantage of the unprecedented opportunities is a challenge. However it is a potential tool, for example, to share information, provide education, distribute best practice and network. This could be a possibly fruitful area of consideration running through all the groups.
- I wish you all a very productive and interesting discussion.