EMPOWERING CONSUMERS AND FOSTERING COMPETITION TO TRANSFORM MARKETS

Putting the right consumer protection and competition policies in place remains a challenge for many developing countries, but the economic and social gains can be profound.

Geneva, Switzerland, 1 July 2016 – Helping people to understand and enforce their rights as consumers and protecting them from sharp business practices cannot remain a “rich world problem”. Today’s consumer is a global consumer, as the consumer society has spread to developing countries. Yet developing countries are only beginning to seize the opportunity to harness the transformative power of consumers.

The power of functioning consumer protection regimes was shown in 2013 when the National Consumer Service of Chile, Sernac, organized a collective action against a retail chain which had fraudulently overcharged holders of its store credit card in one of South America’s largest ever financial scandals. Sernac obtained compensation of $685 million for over 40,000 consumers. That landmark case changed business practices on consumer credit in Chile, and now other jurisdictions in the region are analysing similar practices by other financial institutions.

Such cases highlight new opportunities and challenges for promoting competition and consumer protection in such areas as financial services, data protection, dispute resolution and electronic commerce – e-commerce. Business-to-consumer e-commerce is worth more than $1.3 trillion and is growing much faster than business-to-business e-commerce; this means consumers are bound to play a growing role in the development of international trade policy.

This factor will be the subject of a round table on empowering consumers and fostering competition to transform markets to take place at the UNCTAD four-yearly ministerial conference, in Nairobi on 17–22 July 2016. Participants will discuss how confidence in markets may be enhanced in the midst of the current slowdown of international trade and what policy mix ensures all relevant stakeholders work together to achieve sustainable and inclusive development.

Boosting competition while protecting consumer rights has proven indispensable not only in making markets more efficient, but also in making sure that markets work to everyone’s benefit. Inclusive prosperity will require much more emphasis on the welfare of consumers as well as ensuring that the gains of innovation and entrepreneurship are shared fairly by all and outdated laws and regulations are adjusted to technological and legal advances.
But harnessing the power of more than 7 billion consumers worldwide will depend on Governments adopting the right policies and regulations. Governments should provide consumer protection through legislative and administrative action to meet their responsibility to ensure consumers can exercise their rights, such as the right to safety, the right to be informed, the right to choose and the right to be heard.

Steps that can be taken by decision-makers to put consumers in the driving seat include:

- Ensuring policy coherence and cross-fertilization of consumer protection and competition policies and other policy areas such as trade and industrial policies. This means that more inter-policy debate needs to take place at the national and international levels. As an example of good practice, Peru’s National Institute for the Defence of Competition and the Protection of Intellectual Property (Indecopi), worked with the UNCTAD Competition and Consumer Protection for Latin America (Compal) programme to adopt national consumer protection policies that ensured such policy coherence.

- Educating consumers so that they know their rights and how to enforce them. Governments bear the responsibility to conduct information programmes and to provide a favourable framework for consumers to get redress from retailers and manufacturers. Education campaigns, strong institutions and a strong civil society have been important to the success of policies in, for example, France, Germany and the United States of America.

- Establishing a global partnership among all stakeholders. This should not be limited to international cooperation between States, but also between businesses and consumer groups. Best practice examples include the Better Business Bureau, a network dedicated to fostering honest and responsive relationships between businesses and consumers in Canada, Mexico and the United States, and Consumers International, the world federation of consumer groups, both of which have shown their commitment to upholding consumer rights in the marketplace.

More than 70 United Nations Member States have a consumer protection law, but many of them feel the need to revise their legal and institutional frameworks in light of novel retail practises – such as issuing store credit cards – that could be opportunities for fraud.

The United Nations responded proactively to this need when the General Assembly adopted a resolution in December 2015 updating the United Nations Guidelines for Consumer Protection. The United Nations resolution also placed UNCTAD at the centre of the international hub for consumer protection.

The UNCTAD 14 round table will focus on what concrete actions can be taken for competition and consumer protection to shape prosperity for all and boost the engines of sustainable development.

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