Intergovernmental Group of Experts on Consumer Law and Policy

(IGE Consumer)

3rd SESSION
9-10 July 2018
Room XVII, Palais des Nations, Geneva

Tuesday, 10 July 2018
Afternoon Session

Agenda Item 3f. Consumer product safety

Contribution by
International Chamber of Commerce

This material has been reproduced in the language and form as it was provided. The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
Introduction

Business Action to Stop Counterfeiting and Piracy (BASCAP) is an initiative of the International Chamber of Commerce (ICC) with a mission to increase awareness of the economic, social and consumer harms of counterfeit and pirated products and to *inter alia* protect consumers from these risks. BASCAP represents more than 25 major multinational companies representing a wide range of business sectors that develop and deliver safe, effective, high quality, innovative products to millions of consumers around the world.

BASCAP was honored to submit comments previously to the 2nd Session of the IGE on Consumer Law and Policy. The BASCAP paper on “Strengthening Consumer Protection – Measures to adapt the UN Guidelines for Consumer Protection to guard against counterfeiting and piracy” was launched at this meeting and included in the materials distributed to delegates and participants of that meeting.

BASCAP is once again honored to provide the following contribution for the 3rd Session of the IGE on Consumer Law and Policy, specifically calling attention to the agenda item on 10 July on: *Round Table on Consumer product safety*. The session description notes that the issue of consumer product safety is part of the UN Guidelines for Consumer Protection and that the UNCTAD Secretariat plans to raise the following questions as part of the Round Table:

1. How can understanding of consumer product safety be further enhanced?
2. Other than sharing of best practices in consumer product safety, what other areas should be considered at the international level?
3. How can UNCTAD support ongoing regional and global efforts to strengthen consumer product safety?

This paper responds to these questions by reaffirming our position that consumer protection programs must include building awareness of the serious dangers of counterfeit and pirated goods and the growing risks to consumers from purchasing potentially dangerous products through online marketplaces.

In addition, we believe that consumers should be provided with access to information about the products they are purchasing, including information about the company providing the product and
how to contact them. Consumer protection can also be enhanced by helping consumers understand when new and innovative products reduce the risks to consumer health and safety.

**UN Guidelines for Consumer Protection**

As noted in our earlier paper, BASCAP acknowledges and supports the UN Guidelines on Consumer Protection. BASCAP applauds steps, such as these, taken by the UN and its Member States to strengthen consumer protection, particularly in an era where consumers are significantly and increasingly exposed to fake, harmful counterfeit and pirated products, including those that are widely available on e-commerce shopping platforms.

We once again urge UNCTAD to ensure the implementation of the Guidelines specifically includes provisions highlighting:

- The importance of combating counterfeit products that pose threats to the health and safety of consumers and to the environment, and also decrease consumer confidence in the marketplace;
- The need to devote special attention to the development of effective consumer protection in electronic commerce, including online shopping platforms, mobile commerce and social networks; and
- The importance of giving consumers access to information so that they can choose better products, including information on new and innovative products.

**The Global Problem of Counterfeiting and Piracy**

The rapidly growing prevalence of counterfeited and pirated products is a real and undeniable risk to consumers. While it presents a compelling challenge to governments and businesses, it is essential that all stakeholders work together to strengthen consumer protections against these fakes goods.

The OECD has estimated that the international trade in counterfeit and pirated goods was valued at approximately USD 461 billion per year in 2013 and represented up to 2.5% of world trade; taken together with fakes manufactured and consumed domestically and digital piracy the total impact of this category of goods is now estimated at USD 1.7 trillion. This massive economic impact is indicative of the scale of the problem, but equally alarming is the scope – practically every product (retail and commercial) is now being counterfeited. Too often fake items from virtually every product category are found throughout the legitimate marketplace, and this puts at risk the health and safety of individuals and families.

Consequently, counterfeiting presents a fundamentally new challenge to consumer protection. When a product is manufactured and distributed outside the legitimate commercial supply chain that provides safeguards to protect product integrity and to consumer safety, new methods of quality control and consumer awareness are needed.

In addition, the rapid and widespread growth of “online shopping” has dramatically increased the volume of products moving across the world, created supply chain vulnerabilities and connects consumers directly to virtual marketplaces with limited quality and safety controls.
Approximately 3.2 billion people—almost half of the world’s population—use the Internet today, and almost half of those access e-commerce platforms to shop online.iii Global business-to-consumer (B2C) sales over the Internet doubled to USD 1.9 trillion between 2011 and 2014, and were estimated to reach USD 2.3 trillion in 2015.iv By 2019, worldwide online sales are expected to reach USD 3.57 trillion, or 12.8% of total retail spending.v The fast-growing Asia-Pacific market is estimated at a 25% year-over-year increase in global e-commerce in 2015.vi

While e-commerce is delivering unprecedented product choice, convenience and price transparency, it also presents consumers with a number of new risks, such as identity theft and theft of credit card information. Fraudulent offers and transactions also are increasing at alarming rates. In addition, e-commerce platforms are increasingly vulnerable to a growing illicit industry distributing harmful, unsafe, substandard or faulty products—including counterfeit and pirated products.

These widespread online activities to target and deceive consumers present significant challenges for national governments and businesses to investigate and stop the flow of fake and unsafe goods. Consequently, existing consumer safety mechanisms must be adapted to safeguard consumers who are directly and instantaneously finding, purchasing and arranging delivery of physical items right into their homes.

### BASCAP Recommendations

BASCAP respectfully offers the following recommendations in response to the three questions posed to the 3rd Session of the IGE on Consumer Law and Policy on Consumer Product Safety:

1. How can understanding of consumer product safety be further enhanced?
2. Other than sharing of best practices in consumer product safety, what other areas should be considered at the international level?
3. How can UNCTAD support ongoing regional and global efforts to strengthen consumer product safety?

➢ **Increase access to information and more transparency**

Greater transparency allows for more effective management of risks by identifying and monitoring agents in the supply chain, and enables more effective notification when unusual activities and trends are suspected. Guideline 14 (b) calls for improved mechanisms to deliver this, and BASCAP recommends that Member States should establish consumer protection policies that encourage: (b) Clear and timely information to enable consumers to contact businesses easily, and to enable regulatory and law enforcement authorities to identify and locate them. This may include information such as the identity of the business, its legal name and the name under which it trades, its principal geographic address, website and e-mail address or other means of contact, its telephone number and its government registration or license numbers.

Appropriate disclosure of information is crucial in helping consumers and regulatory authorities identify illicit traders and differentiate them from those conducting legitimate business operations. Implementation of this Guideline can also provide consumers with a valuable tool for reporting incidences of counterfeit products or to ascertain whether products are genuine. Pursuant to Guideline 14(b), BASCAP encourages governments to:
• Implement regulations mandating the display of consumer care numbers or email addresses on products, websites and/or any on other medium which allows consumers to register complaints, or to verify whether products are genuine;
• Implement regulations mandating the display of the legal name of the producer on consumer goods and the legal name of the seller on websites, in domain registries, in apps or on platforms when sold via online connected services. Failure to display should be penalised by regulatory and law enforcement authorities;
• Require e-commerce platforms and Internet domain/hosting/service providers to gather on websites, if sold online. Failure to display should be penalised by regulatory and law enforcement authorities;
• Promote adoption of Know Your Supplier (KYS) and Know Your Customer (KYC) programs by all companies in the supply chain to ensure adequate information is available to allow regulatory authorities to pursue counterfeiters;
• Promote the use of technologies to complement monitoring and compliance efforts and to support effective product recalls; and
• Implement effective monitoring and sanctions to either remedy or remove from commercial trading those who fail to voluntarily provide effective consumer protection measures.

➢ Implement and expand consumer education and awareness programs

Guideline 5(c) calls for “the protection of consumers from hazards to their health and safety.” Guidelines 11(d), 42 and 44 encourage the private and public sector to assist consumers in understanding the variety of risks that they may be exposed to. These Guidelines cover important aspects for guarding against product hazards and areas including e-commerce where consumers are increasingly vulnerable to such risks. Specifically:

• 11 (d). Education and awareness raising: Businesses should, as appropriate, develop programmes and mechanisms to assist consumers to develop the knowledge and skills necessary to understand risks, including financial risks, to take informed decisions and to access competent and professional advice and assistance, preferably from an independent third party, when needed.
• 42. Member States should develop or encourage the development of general consumer education and information programmes, including information on the environmental impacts of consumer choices and behaviour and the possible implications, including benefits and costs, of changes in consumption, bearing in mind the cultural traditions of the people concerned.
• 44. Consumer education and information programmes should cover such important aspects of consumer protection as the following:
  • (b) Product hazards; and
  • (g) Electronic commerce.

Education is an effective tool to discourage consumers from purchasing counterfeit and pirated goods. This is supported by research indicating that while most consumers are unaware of the risks related to counterfeit and pirated goods, when they have sufficient knowledge they refrain from purchasing counterfeits that potentially threaten their health and safety.iii

In an effort to improve this awareness, BASCAP has developed the “I buy real: Fakes cost more” consumer safety and awareness campaign to educate consumers on the health, safety and economic risks of counterfeiting and piracy.iii This campaign has been tailored for use in nearly 30 countries, and is available at no cost to all UN Member States to strengthen consumer awareness.
While many governments and businesses have undertaken to educate consumers on the harms of counterfeiting, the Guidelines amplify this mandate. BASCAP recommends that all UN Member States:

- Educate the general public on the harms related to purchasing counterfeits and where appropriate make consumer education an integral part of the basic curriculum of the educational system. Special attention should be given to educating young consumers, as they are heavy users of social media and other online platforms. These programmes should include product hazards and risks of counterfeit and pirated products available on e-commerce platforms;
- Conduct awareness campaigns on a national and regional level to help consumers understand that counterfeit products are a real threat to health and safety, jobs and the economy; and
- Engage with industry associations and private sector, including e-businesses, in delivering these important messages to the consumers.

➢ Increase consumer protection in e-commerce

Guidelines 63 and 64 reference the increasing use of e-commerce shopping platforms by consumers and urge Member States to revise existing consumer protection policies and regulations to ensure that consumers are afforded the same level of protection in the online world as in the physical world.

63. Member States should work towards enhancing consumer confidence in electronic commerce by the continued development of transparent and effective consumer protection policies, ensuring a level of protection that is not less than that afforded in other forms of commerce.

64. Member States should, where appropriate, review existing consumer protection policies, to accommodate the special features of electronic commerce, and ensure that consumers and businesses are informed and aware of their rights and obligations in the digital marketplace.

Guidelines 63 and 64 are timely additions by the UN in recognition of the rapid consumer migration to e-commerce shopping. As e-commerce delivers remote consumers and small- and medium-sized companies with new market access, measures must be taken to ensure that these benefits are not compromised by counterfeiters and other illicit traders.

Alongside the billions of legitimate online transactions, e-commerce platforms have become vulnerable to misuse and the infiltration of fake and potentially unsafe products. As in the physical world, criminal actors have seized opportunities to gain further profits from distributing counterfeit and pirated goods in the online supply chain. In blurring the distinction between genuine products and fakes, they succeed in selling staggering quantities of infringing items. These criminal networks have flooded the internet with advertisement for websites selling fakes or sites that take consumers to other websites that steal personal information or damage computer systems. There is an urgent need to address the prevalence of counterfeits available to online consumers and to put in place protections to safeguard them from a variety of new online risks.

BASCAP encourages all UN Member States—as well as the e-commerce industry and other intermediary businesses which promote and sell products online⁹—to use the mandate of the UN Guidelines to implement measures to ensure sufficient protection to consumers engaging in e-commerce. BASCAP calls on UN Member States to:
• Encourage online shopping platforms to adopt and adhere to comprehensive, robust and recognisable due-diligence systems across all platforms and services including:

• Due diligence checks by platform owners to ensure a basic understanding of who is trading on their platform, such as ‘Know Your Supplier’ and ‘Know Your Consumer’ protocols;

• Automated tools to prevent high risk offers being presented to consumers, including, filtering systems and machine-learning technologies;

• Terms and conditions to make it clear that swift and strong sanctions will be imposed on those trading in counterfeit and pirated products, including measures to ensure rapid notice and takedown of fakes already available to online shoppers;

• Secure payment systems;

• Adapt regulations to ensure that e-commerce sites that provide transparent mechanisms so that their customers have the ability to trade in products discovered to be counterfeit;

• Develop programs and mechanisms, with reflecting the real market experience of the private sector, to assist consumers to develop the knowledge and skills necessary to understand the risks of using e-commerce platforms to purchase products and to take informed decisions; and

• Encourage e-commerce platforms to take appropriate steps to address advertisements that lead consumers to sites that sell illicit goods.

➢ Consumer Access to Information and Innovative Products

Section 5(e), 27, 81, III(10), and (IV) of the Guidelines highlight the importance of giving consumers access to information so that they can choose better products, the value of international collaboration, and the importance of partnership with the private sector. The Guidelines were revised to focus on access to information, knowledge, choice, consumer empowerment to make decisions, and business obligations to transparently disclose non-misleading information.

Sections 5(e) and 27 of the Guidelines state that consumers should have access to information, so that they can make informed decisions and choices in accordance with their individual preferences and needs. Where innovation has allowed for the creation of better products, which may present less risk to health and safety, consumers should be informed of this possibility and be provided with access to information and the products themselves. A global approach should be adopted in support of innovative products, so that consumers can receive uniform benefits.

Governments should also be encouraged to engage in public-private-partnerships, giving recognition to the positive role of private enterprises in research and development of new and innovative products.

Member states should work in collaboration with the private sector to ensure that consumers are being provided with access to truthful non-misleading information, which can allow them to make informed decisions.

Specific measures to enhance the implementation of section 5(e), 27, 81, and III(10) of the Guidelines include the following:
Implement national regulations that allow consumers to have access to information, including relevant health and risk information, to facilitate their choices;

Implement national regulations that allow consumers to have access to innovative products which may present less risk to health and safety, as well as information related to these products; and

Enhance public-private-partnerships and rely on the expertise of the private sector in relation to research and development initiatives concerning innovative products, as well as in facilitating consumer access to relevant non-misleading information on consumer goods.

Conclusions

The UN Guidelines provide a common set of principles that can assist Member States in strengthening consumer protection legislation, standard setting and enforcement and redress systems.

Counterfeiting has proliferated worldwide and e-commerce platforms are contributing to this problem by increasingly connecting shoppers directly to unscrupulous suppliers, often without the product controls and redress systems that consumers are afforded in the physical world.

While these issues are treated only marginally in the Guidelines, they present significant health and safety risks for consumers and dictate that national governments and businesses reinvigorate their efforts and put in place focused programs and policies to protect consumers, both in the physical and online world.

In addition, we believe that consumers should be provided with access to information about the products they are purchasing, including information about the company providing the product and how to contact them. Consumer protection can also be enhanced by helping consumers understand when new and innovative products reduce the risks to consumer health and safety. This will ultimately empower consumers to make better informed purchase decisions which ultimately enhance their individual well-being.

As highlighted in our original paper presented to UNCTAD, BASCAP endorses the UN Secretary General in this mission, and:

- Upholds the UN’s call for Member States to establish regulatory frameworks that encourage sufficient and improved levels of transparency between sellers and buyers to allow for greater management of risks in the supply chain and to enable consumers to make informed choices regarding their purchases.
- Affirms the UN’s recognition of the threats related to counterfeiting and calls on Member States to better educate the general public on product hazards including the harms related to purchasing and consuming counterfeits and pirated goods—both in physical and online marketplaces—and to include anti-counterfeiting and piracy strategies in their national consumer protection efforts.
- Echoes the UN’s concern that more needs to be done to protect consumers in e-commerce; and calls on governments to ensure a level of protection in e-commerce that is not less than that afforded in other forms of commerce.
- Encourages Member States to adopt policies which allow consumers to have access to information about the products they are purchasing, including information about the company providing the product and how to contact them.
• Encourages Member States to work with manufacturers of new and innovative products to include relevant information on the how they reduce risks to consumer health and safety.

• Offers assistance to the United Nations Conference on Trade and Development (UNCTAD) by facilitating collaboration with the private sector and by promoting principles for good business practices reflecting BASCAP’s mandate.

• Cautions Member States against an overly broad and loose interpretation of the Guidelines that may risk creating an unfavourable competitive or restrictive environment for domestic and international business.

---


8 For more information about the ‘Fakes cost more: I buy real’ campaign visit: http://ibuyreal.org/.