



Dialogue on Digital Consumer Protection with Emerging Markets

Global Programme in the GIZ Section Governance, Human Rights

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The Challenge

The ubiquitous effects of digitalisation permeate all of society. It is the most significant socio-economic transformation process in recent decades. Digitalisation changes societies, economies and political systems and affects myriad topics ranging from equal distribution of wealth, climate change and the rule of law, to the very functioning of our democracies.

Economically, digitalisation opens up a multitude of opportunities for companies to develop new business models and innovative products. The simplification of processes, reduction of costs and easier accessibility for customers leads to an increase in efficiency and effectiveness in distribution and sales. Thus, digitalisation can be one of the most important catalysts for development. However, it also leads to a variety of challenges for markets and those who operate within them. These range from an increasing number of cross-border conflicts to completely new digital business models, for which traditional regulation fails to be effective.

Especially emerging markets are confronted with the challenges of digitalisation. The economic policies of the partner countries of the programme, China, Brazil and Indonesia, have been dominated by economic expansion and increasing domestic consumption in recent decades and all three countries have undergone far-reaching economic transformation processes. The rapid development of

these emerging economies against the background of digitalisation and globalisation, have influenced the market dynamics and led to massive shifts in the balance of power between the market players.

Albeit particularly visible in emerging economies, the challenges of the digital transformation do not only apply to emerging markets. Germany as a well-developed industrial nation is in no way immune to the challenges that come with the transformative developments of recent years.

One essential instrument to ensure that economies serve all their actors is consumer protection. Consumer protection helps maintain a balance between the legitimate business interests and those of consumers. Changes in markets, their functioning and their power dynamics therefore require an adequate adaptation of consumer protection instruments and rules. Only that ensures that risks are sufficiently mitigated and that the benefits of a digital economy are duly made use of so that consumers and thereby society as a whole benefits from the digital transformation.

In this respect, however, states are pursuing different approaches. While some countries rely on vehement regulation, others prefer market self-regulation. Europe is opting for a third way and tends to combine both approaches.

Additionally, consumer protection doesn't just need to adapt normatively but may be a subject of digitalisation itself. Digital instruments of consumer protection, from online dispute resolution to legal tech, bear the potential to address challenges traditional consumer protection has struggled to address. World-wide, new ideas and approaches are being tested, yet they are often intrinsically linked with their domestic legal systems and markets. A dialogue across regions and sectors on the risks and benefits of digitalisation for our system of consumer protection is needed to ensure that we jointly shape a future that benefits emerging markets and



Johannes Ferguson,
Head of Project
Johannes.ferguson@giz.de

developed countries alike and efficiently protects consumers in the new environments of digital and globalised markets.

Our Approach

The global programme “Dialogue on Digital Consumer Protection with Emerging Markets” aims to strengthen consumer protection in China, Brazil, Indonesia and Germany by exchanging views on and identifying and developing common, innovative and digital approaches to consumer protection enforcement. It ties in directly with the 2016-2019 programme “Enforcement of Consumer Protection Regulation in Selected Newly Industrialised Countries (NICs)” but focuses its activities more closely on the risks and opportunities of digitalisation. The global programme consolidates the dialogue between Germany, China and Brazil, which was started in 2016, sustains the piloted dialogue formats and expands the activities to the new partner country Indonesia.

The global programme focuses on three core topics:

1. Finding answers to new questions of consumer protection

This topic revolves around the normative adjustment of consumer protection to new challenges caused by the digitalisation of economies. The programme seeks effective answers to newly arising questions of consumer protection, for example in the fields of e-commerce and platform economy, data protection law, or adapting to adequately regulate new business models and market players (e.g. tech giants).

2. Making use of digital transformation

The second topic focuses on new innovative methods to improve consumer law enforcement. In this area, interesting legal tech projects will be scrutinised, and it will be discussed how they can be adapted to changing circumstances and different legal systems. Examples are online dispute resolution platforms, algorithm supported applications for the evaluation and aggregation of consumer claims (e.g. MyRights and FlightRight), and e-courts.

3. Strengthening international cooperation

The third topic focuses on joint bi-, tri-, and quatro- or otherwise multilateral initiatives that can be initiated in the area of consumer protection. Special emphasis will be placed on such aspects where domestic consumer protection fails to produce the desired results. Specifically, the programme will put an emphasis on mechanisms for resolving cross-border conflicts and joint initiatives in international bodies. In addition, the potential for developing joint strategy and position papers with the project countries will be discussed.

To advance these subject matters, the programme conducts activities in three fields of action:

1. Introduction and continuation of exchange formats with the partner countries, e.g. through the organisation of conferences and participation in workshops, trainings and other partner activities. A focus will be the event series titled *New Paths to Effective Consumer Protection*.



Symposium “New Paths to Effective Consumer Protection” in Berlin, October 2019 (© GIZ)

2. The innovation hub will identify and analyse new approaches of innovative consumer protection instruments as well as creative normative solutions. For this, the programme will conduct research, commission in-depth studies, and draft concept papers and comparative analyses. Within this context, a special emphasis will be on the evaluation of individual cases and the development of “best practices”.

3. The programme will provide support and advice on an ad hoc basis to the Federal Ministry of Justice and Consumer Protection in the handling of national and international processes concerning consumer protection and in the strategic planning process of such events or other activities of the commissioning unit. Examples are background research on current political debates, preparatory work for international events, drafting background papers or identifying new international partners and partner institutions.

This way, the potential of digitalisation for consumer protection law in the partner countries is to be unlocked and consumer law risks are to be identified and reduced. By cooperating with three of the world's largest emerging market economies, the programme also seeks to shape the international development of consumer protection and consumer protection law enforcement in the digital age.

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Dag-Hammarskjöld-Weg 1-5
65760 Eschborn, Germany

info@giz.de
www.giz.de

Contact Tim Lammers (tim.lammers@giz.de)

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Division V - Consumer Policy; digital society; enforcement of
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A 1 - Strategy and key issues of consumer policy;
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Contact Mohrenstraße 37
10117 Berlin, Germany
T +49 (0)30 18 580-0
F +49 (0)30 18 580-9525

poststelle@bmjv.bund.de
www.bmjv.de