

**Digital technologies, knowledge-based society and new requirements of consumer protection**  
**Conference on the Challenges and Opportunities in a Digitalised World.**

Commissioner Kuneva,  
Ladies and Gentlemen,

I am delighted to be able to welcome you to this conference on consumer protection in the digital world which we are holding here in Berlin as part of the German Presidency. Europe makes progress when it tackles the current problems faced by its population. That is what we are doing with this conference, which is intended to link up the challenges, problems and opportunities of the digital world with the requirements of modern consumer protection.

Today is "World Consumer Rights Day" – I think it is a good sign that this day coincides with the staging of the conference and with the subject which the conference is focusing on. This day also marks the opening of the CEBIT trade fair in Hanover, where visitors will be able to see the latest products of the digital world. Both are good starting positions for having a more detailed look than normal at particular developments which affect us all in everyday life. Because the "digital information society" has made huge changes to industry as well as everyday life and will continue to do so in the future.

Policy-makers and industry have for a long time focused on the supplier side, for example on issues of intellectual property and copyright. I am delighted that the consumer side is now being discussed and consequently taken seriously. For a long time this aspect played an inferior role in our economic system. For a long time, it was mainly the principle of producer sovereignty which applied in industrial society. This was in line with the compensatory image of the inferior consumer who was in need of protection.

In contrast, the situation in the burgeoning service and knowledge society is that suppliers, partners and customers are integrated into the valued added chain to a considerably greater extent. Individual consumer wishes are used as a standard of production far more effectively. The power of consumers is growing as the range of new opportunities available to them increases. My goal was always to aim for an equivalent consumer sovereignty by strengthening the position of consumers and enabling them to be on an equal footing with producers.

This applies to an even greater extent in the digital world. We must stick

to the idea of the mature consumer in the digital world as well. Today we know – from recent brain research – that there is no "purchase button" in consumers' heads.

However, consumers are definitely susceptible to being manipulated via subtle signals from their environment. It is all the more important to support consumers in making mature decisions based on reason, particularly under the new conditions which exist in the knowledge-based society.

Policy-makers must not lead consumers by the hand through the digitalised world, but must put consumers in a position where they are themselves able to walk. This was after all the core idea of the Enlightenment – as Kant said: to use one's own understanding.

A mature consumer develops consumer skills. Policy-makers can support this. This includes ensuring that reliable information can be obtained, that there is training and advice available, and that there are better opportunities for active participation. But it also definitely includes the State's duty to provide protection via law and legislation.

We are currently experiencing consumer protection developing in new dimensions due to the rapid development of the new technologies. There are three main scientific and technological developments which are taking our lives in the 21st century in new directions and which constitute a challenge to any new consumer policy:

- the discoveries in the field of molecular physics are leading to a new range of goods based on microtechnologies and nanotechnologies;
  - the life sciences are aiming, based on the ability to control biological cellular processes, to produce new therapies, medicines and bio-products;
  - information and communication technologies, in particular computer, Internet and multimedia, are leading to a new global division of labour, to global integration in the field of communication, and to changes in consumer orientation;
- virtualisation and digitalisation, in conjunction with knowledge-based society, bring with them considerable upheavals in industry, the working world and consumer habits.

But this has also happened in the past, particularly in the field of media knowledge. Think of the year 1450 – this was the year in which Gutenberg invented the novel method of movable-type letterpress printing. This resulted in a fundamental transformation of not only Mainz,

but the whole of Germany, and even revolutionised European culture. Over the next few decades, the new technology made it possible to reproduce texts exactly, at low cost and at a previously unheard-of speed. Knowledge in Europe grew dramatically as a result of this; more and more people learned to read, and began to inform and educate themselves. The new technology opened up the way for Europe to move from mediaeval times to the modern era.

Today, we are also seeing signs that a new age is dawning. The drastic change over to an age of knowledge is being driven by groundbreaking inventions in the fields of information and communication technology, together with the globalisation process. Microchips and silver disks, computers and the Internet, are revolutionising both industry and society. This is happening on a global scale, and not only that, it is taking place at colossal speed over the span of only a few years. Information as a raw material, and its refinement into knowledge, are the new sources of power.

If, therefore, information constitutes the basic building blocks of science-based industry and science-based society, then the way in which information is organised and coordinated becomes one of the core issues of social, economic and political development.

It is therefore all the more important, from a democratic standpoint as well as from a consumer's point-of-view, to:

- enable everyone to have access;
- to keep information in the hands of the many; and
- to ensure transparency.

It is in particular necessary to strengthen the creative forces originating from the spirit of the Internet, and to make possible open innovation. Globalisation and digitalisation have entered into a symbiosis with undreamt-of consequences. Chips and computers are fundamentally changing the world of consumption and work; the Internet makes distance meaningless, and waiting times are being transformed into real time in global communication. Huge sums fly round the globe in seconds, searching for yield-orientated investment. Virtual worlds are coming into existence in industry.

The transformation of the economy has begun, with a new symbiosis of knowledge-based industrial processes and services, of virtual production and consumption markets, of private property and new trade with

incorporeal things such as access and use. It is today inconceivable to imagine manufacturing enterprises not using computers for their production processes.

Old products change, as can be seen with cars:

There are now around 10 million lines of software code integrated into cars. Mobile phones and games consoles only work using microchips. New economic practices are being developed in E-commerce: trade platforms for supplier goods, without which large companies cannot exist as global players, online shops, auctioneers and many other things. We book our holiday in an online travel office, browse for books at Amazon and buy products at Ebay auctions.

It is immediately obvious that there are huge challenges facing mature consumers and a modern consumer policy on account of the use of these new technologies.

Appearance and reality are obviously very close to one another in the new digital world. E-learning is, despite its great advantages, not yet really wide-spread, E-democracy has not yet really progressed beyond some attempts at electronic voting. E-government needs new impetus, particularly in the municipal area. And, contrary to all promises, the dotcom bubble of the New Economy destroyed shares worth several billion within an extremely short time. An enlightened consumer policy must reflect this as well.

Despite this, society and industry have already changed to such a degree that there is now no way back to not using the new information and communication technologies. And I do not think there are hardly any who seriously want this to happen, as the advantages of the digital world are too great.

One condition for enjoying these advantages is, however, having access to the digital world. Participation in the digital world is based on the technical and financial possibility of accessing this world. An awful lot has happened in Germany in this area in the last five years.

A total of 58.2 % of the population (over 14 years of age) were online in 2006 – this corresponds to a growth rate of over 21%. The Saarland and the five new Länder make up the lower third, but even here there was an above-average rise.

Happily, the percentage of people online has risen in all sections of the population. But the rule of thumb still applies: the younger the section of

society, the higher the percentage of people online – the older the section, the higher the percentage of people offline. There is a similar situation regarding income: the higher the income, the more access to the Internet. There are also significant deficits in regional distribution. I would like to make this clear that I am in favour of equal rights for urban and rural areas. Policymakers must therefore provide support, particularly to weak regions. Broadband access, for example, must also be made possible for people in rural regions. In areas where this is not possible, there must at least be an alternative offer. Equal rights of access to the digital world also involves having fair opportunities.

In other words: Despite all the success there is still a lot to do in order to overcome the "digital divide" in our country. This same applies not only in respect of Europe, but also worldwide.

Allow me to now discuss the issue of what digitalisation – particularly on the Internet - means for us as consumers.

The advantages are clear: In a digitalised world we, as consumers, can participate in global economic life in a split-second at any time of night or day. We can gather information, compare prices, and exchange consumer experiences in chat-rooms. The Internet allows us to save time, effort and money.

On the other hand, there are also problems: For example, one mouse-click may result in a non-binding request for information, but may also result in the conclusion of a contract of purchase. It is important in this regard that consumers are not misled about the legal or other consequences of their actions. The consumers must also be clear about which contractual partner they are dealing with. It is namely often the case that the location or respectability of a company is not directly evident from the web-site.

And: If, to take an example, someone in Germany orders a product from Spain via the Internet, a product which may possibly be delivered from the USA or India, then he must know the size of the additional costs such as custom duties and delivery costs which he will have to carry. He must, however, also know about his warranty claims and other rights, in case something goes wrong with the order.

One particular problem which is of crucial importance to us as consumers, is Internet criminality. We all know the advantages of e-mails, which we can send everywhere incredibly quickly and at no cost. Criminals make use of the same advantages when they send mass e-

mails with dangerous content. There are Trojans, worms, viruses and spyware which cause billions of Euros' worth of damage. Think back to the "I love you" virus which paralysed a number of companies in 2000 and also caused considerable damage to many consumers. Dial-up programmes, which link up the computer via extremely expensive telephone connections without the consumer noticing or wishing this to happen, are testimony to a high level of criminal energy. In the final analysis the consumer is the one left carrying the can; the consumer is always asked to pay at the end.

The situation with "spyware programmes" is similar; these secretly install themselves on the computer and detect all data and codes, to the consumer's disadvantage. Another area which I consider problematic relates to computer programmes which, in addition to detecting data about consumers' purchasing behaviour, also detect private data. A stop must be put to this risk of data seizure, which in some cases can go as far as "identity theft".

The "stealing" of passwords in online-banking ("phishing") is also causing consumers a lot of concern. Bank criminality remains the no. 1 method of Internet deception. No-one would sign and hand over a blank bank transfer to a person at the door who falsely identifies himself as an employee of the local bank. But this is just what is happening on the Internet. What is required here is extensive and on-going information, above all by the banks themselves, in order to catch these criminal swindlers.

There is another Internet epidemic which is adding to this rampant growth of Internet deception: the flood of spam-mails. Spam-mails – curiously originally a brand-name for tinned meat in America in the thirties - cause blockages in the global e-mail communication system, resulting in considerable expense. The Federal Government has started its fight against spam. A new schedule of fines came into force on 1 March this year.

Another problem results from the fact that the Internet is increasingly becoming subject to charges. A few years ago, access to what the Net had to offer was largely free – this established the idea in consumers' minds that the Internet was free.

Until recently it was possible to swap music files, download texts etc. on exchanges at no charge. Since the music industry's dramatic collapse in turnover from CDs, the industry has increasingly enforced the approach that people must pay for music files from the Net.

It is reasonable that the protection of intellectual property and consequently copyright should affect the digital world as well. We are still at the stage of daily disputes – for example between the music industry and Internet users. Nevertheless: An increasing number of consumers are now becoming accustomed to paying for access and use.

It must, however, be ensured that the consumer is informed comprehensively about his duty to pay. The naivety of consumers is often exploited. He constantly receives invoices with excessive dunning charges and lawyer fees. This is anything but consumer-friendly. The Federal Government has already taken action in this area.

Or take for example the use of map segments, from town-map services. It is often not evident that payment is obligatory. Greater transparency and more information in this area would strengthen consumer rights.

Ladies and Gentlemen,

The digital world is progressing in leaps and bounds. The media, information and communication industries are growing together, traditional boundaries are blurring. Work is being carried out on new technologies which offer Internet, television and telephone all-in-one via one network. The "Internet of objects" will lead in future to electrical devices being networked with one another. The fridge, television, blinds, light, radio-controlled clock and lawnmower will then coordinate themselves logistically.

This may definitely be a great help; it at least meets the human desire for convenience. But if this digital networking then interacts with computers in supermarkets or manufacturers, this may lead to personal consumer data flowing without the consumer noticing, and then being used by others. The right of the consumer to have his data protected, and his fundamental right to determine what happens to personal information would obviously be infringed in this case.

I am of the opinion that, as also proposed by new business models, the consumer should at least receive appropriate financial compensation for the passing on of his data.

And: More and more web-users are changing from passive users to interactive participants. The web-user mark 2 does not just surf through the Net; he changes, enriches and expands it: He writes a web-diary, which other users are allowed to comment on, displays videos and

pictures on exchanges, maintains an online poetry album, recommends his web bookmarks. Industry believes that this user-generated content offers huge opportunities. Companies, in particular well-known brand manufacturers, want to use strategies which build on this to increase their turnover – and even aim to double their turnover in online trade by 2010. The use of such strategies can quickly result in consumers being exploited and consumer rights being trodden underfoot.

A new development is also on the way: the “scanning of the world”. The current creation of digital worlds of knowledge raises a number of questions: Is intellectual output to be equated to material property? Who does the knowledge belong to? What should be able to be freely accessed? What is affected by copyright and would thus result in costs arising?

Similarly to Microsoft, Google is currently attempting to scan the entire content of the Bavarian state library. So far, it is apparently only works not under copyright which are being placed on the Net – it becomes problematic for consumers when they are no longer able to recognise whether the corresponding book excerpts are covered by copyright or not. If they are, the consumer may face a further wave of wave of dunning letters. Attempts must therefore be made to find a fair balance of interests between copyright and the rights of consumers.

Allow me to refer to another current development, where the virtual world of the Internet is merging with reality. It is leading to completely new questions being asked of consumer policy.

I am talking of “Second Life”. This is a platform in which the participant, having paid an entrance fee, can himself create his own world: from his own identity, circle of friends, and job, to the supermarket and his own home. A virtual depiction of our own world is coming into being. Various real businesses have already established branch offices in the virtual world. There is a newspaper issued by the Axel Springer publishing house; rock bands give guest performances, various clothing manufacturers sell brand articles made out of bits and bytes, real-estate agents take on the programming of the villa on the beach and the grounds belonging to it. You can also get rich in this world; Second Life has already produced millionaires. This artificial world has its own currency, the Linden dollar. These are bought with and exchanged for genuine US dollars. The boundaries between the virtual world and the real world become blurred due to the monetary exchange, advertising, newspapers etc.. This prompts a flood of questions:

What is the situation with contracts of purchase in Second Life? What law are they subject to? Do artificial individuals have warranty rights if the programmed object of purchase does not work? If they do have such rights, in respect of whom do they apply? Can I also take out loans if I want to rent a house? How am I protected against "loan sharks" – after all I have to pay at some point in "genuine" US Dollars if I want to settle my debts.

So far Second Life has been a kind of legal vacuum for consumers. At the same time this development shows the great extent to which the traditional image of the consumer is being transformed and changed by the Internet. We have to find new answers to this new situation.

Ladies and Gentlemen,

the things that I have talked about do not apply to Germany alone; they also constitute a European development. The digital world, with its opportunities and risks, can bring Europeans closer to one another. This year we are celebrating the 50<sup>th</sup> anniversary of the Treaty of Rome. We want to do everything we can to make Europe grow closer. This includes consumers using the advantages of the European internal market and as a matter of course doing virtual shopping in other countries. These digital markets offer important growth opportunities for the European Union. However, many are highly sceptical of digital transactions. A total of 26% of EU citizens made a purchase or concluded a service contract via the Internet over the last year. But only 6 % trusted a supplier from abroad when doing so.

We Germans are particularly sceptical in this area: according to the Eurobarometer, 84% of Germans believe that solving contractual problems is more difficult with international suppliers than it is with national contracts; and the European average is also high, at 71%. These figures show us that this subject should be central to European consumer policy.

We therefore expressly welcome the European Parliament's planned initiative report on "Consumer confidence in the digital world". The EU Commission's Green Paper is also assisting in formulating and implementing up-to-date requirements in the field of European consumer protection. Last but not least, the European Community's Action Programme on consumer policy will help to increase the level and effectiveness of cross-border consumer protection over the coming years. These are encouraging initiatives.

And I am delighted, Commissioner, that you will shortly be giving us your thoughts and plans on a new consumer strategy.

Ladies and Gentlemen,

Please allow me to close by formulating 10 requirements that a modern consumer policy must fulfil:

1. **Freedom of access:** Everyone must be able to access the Internet, and the digital divide must be reduced.
2. **Data sovereignty:** The right of consumers to determine what happens to personal data, and the confidentiality of consumer data must also be guaranteed on the Internet and other forms of the digital world.
3. **Spam protection:** The development of more efficient spam filters must be accelerated.
4. **Transparency:** Everyone must be able to recognise and comprehend the charges and conditions which apply when using services on the Net .
5. **Information:** Consumers must be informed at an early juncture about the risks of sensitive online services or new web phenomena such as "Second Life".
6. **Legal certainty:** Binding legal rules must be created for commercial exchange in the digital world in order to protect supplier and consumer confidence.
7. **User friendliness:** Access and use of Internet services must be designed to be user friendly and barrier-free and available to everyone.
8. **Education and skills:** The development of excellent consumer skills for dealing with the digital world must be promoted.
9. **Youth media protection:** Effective youth protection, geared to the special features of the new information and communication technologies, must be developed further, based on existing legislation.
10. **Reducing red tape:** Procedures to inspect communication services must be streamlined, self-regulation forces in industry must be strengthened, and access to public Internet services must be structured in a citizen-friendly manner.

Ladies and Gentlemen,

With these 10 points for a digital consumer policy, it will be possible to counter many of the new problems in the Internet world. Nevertheless,

we do not know what direction the information and communication technologies will develop in during the transition to the knowledge society, particularly in view of the speed with which changes are taking place. People, including scientists, have been wrong about the future often enough because their values and categories of perception were restricted to the confines of the society of their time.

- Think, for example, of the prediction at the end of the 19<sup>th</sup> century, that in view of the growth in carriage transport, England would be completely immersed in horse dung by 1961 – no-one had dreamt of the development of a dung-free means of transport, namely the car.
- Or let me remind you of a survey of researchers specialising in future developments which was carried out in the 50s. They were easily able to imagine that astronauts would one day work on the moon - but not that their wives might one day have jobs and work for their livings. Today, about 60 percent of women in Germany work, and we are discussing how to make it easier to combine job and family.

Similar mistakes have been made in interpreting the digital world.

- In the middle of last century, the inventor Thomas Watson – one of the richest men of his time – was still of the opinion that there was a global market for "perhaps 5 computers".
- At the same time, technical magazines were saying that the computer would in future perhaps not even weigh more than 1.5 tons.
- Even in 1968, an IBM engineer asked, with regard to the microchip: "But what use is it?"
- And the "Welt" newspaper of 24 March 2001 stated that: "*The Internet will not become a mass medium, because it is not a mass medium in its soul.*"

A lot of mistakes, therefore, on how the future will develop. In other words: The digital worlds of goods and knowledge will provide us with many a surprise. Digital consumer policy must therefore follow attentively and anticipate the many digital paths into the future.

As it remains our goal that consumers, as mature citizens, should not only be on a level footing with industry, but also with the development of the whole era.