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Safeguarding GCC consumers

**How GCC countries
can modernize
their consumer
protection
frameworks**

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Executive summary



As they look to strengthen their consumer protection policies, Gulf Cooperation Council (GCC) countries¹ are confronting limitations born of their relative newness to the concept. Although the topic of consumer protection has been on the agenda for some time, the task is now magnified by the rise of e-commerce and the sharing economy, which must be addressed alongside the typical consumer protection risks that have long existed in commerce. For most of these countries, consumer protection will involve dealing with fraud, misinformation, and other threats from sources both old and new.

Progress will depend on the governments' attention to a few key areas. GCC governments need to look at the institutions currently responsible for consumer protection, and think about how their roles need to evolve; have a clear understanding of when to use prevention measures versus enforcement measures; and make sure to involve better-informed consumers and the community in the effort to safeguard their own interests. Finally, GCC countries should take a long-term view of consumer protection, recognizing that the challenges of tomorrow will be different from today.

¹ The GCC countries are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

The GCC consumer landscape

The rapid development of the GCC has led to vast improvements in infrastructure, to rising income for citizens, and to surging levels of international tourism. All of these, in different ways, have brought about the need for more sophisticated consumer protection. The rising income of the region's citizens has led to a dramatic increase in consumption and better information about their rights as consumers. The rapid growth in tourism (both inbound and outbound) has exposed the GCC's inhabitants to markets with more sophisticated consumer safeguards. This is putting pressure on GCC governments to offer more robust consumer protection and develop more effective solutions.

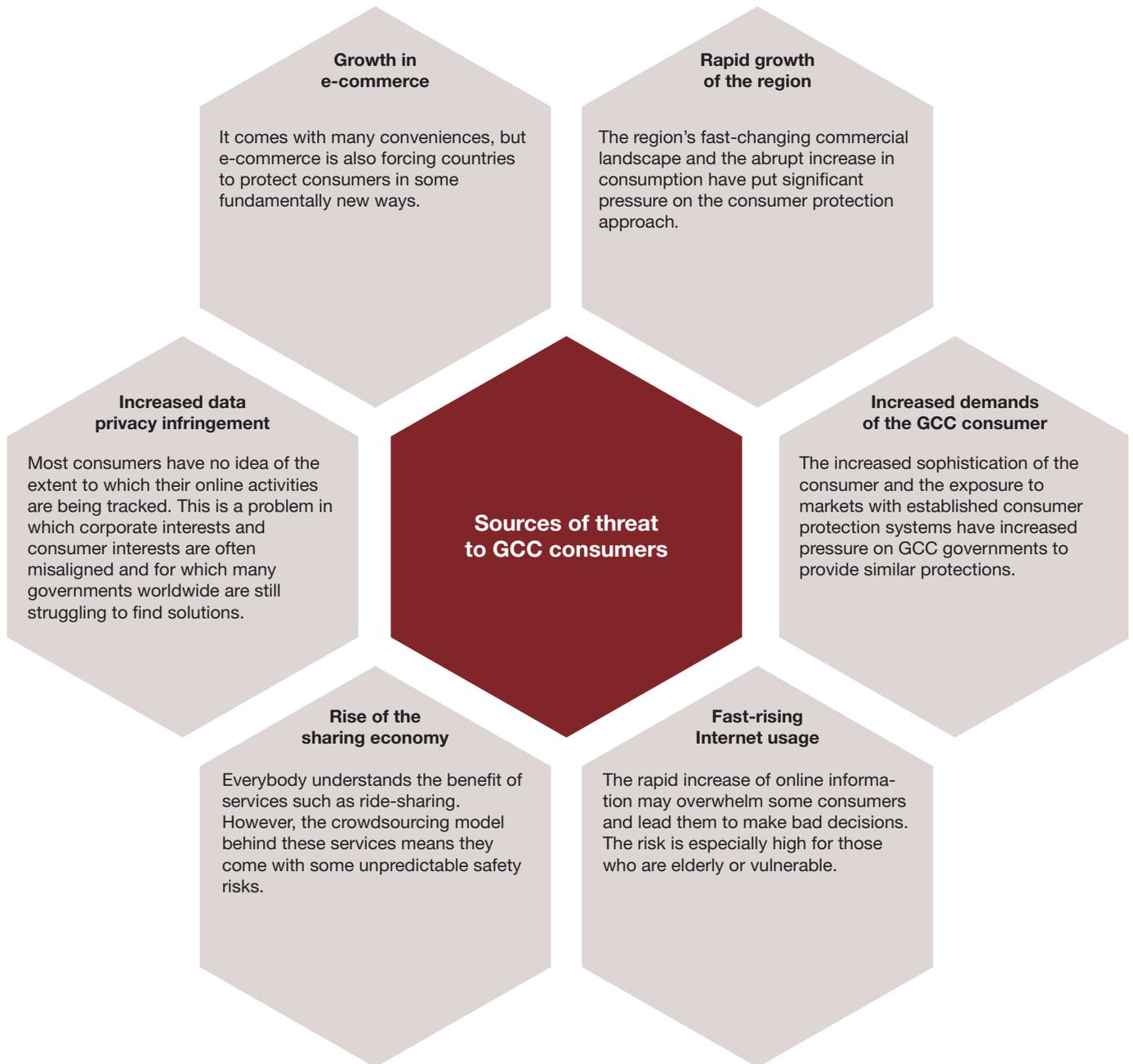
The risks in the GCC are broadly similar to those elsewhere. There is, of course, the garden-variety fraud that has always existed. In the digital age, however, the source and number of risks have multiplied. There is now e-commerce, which exposes consumers to faulty products, fake storefronts, and cross-border disputes. There are also the sharing economy² companies that have become ubiquitous around the world (the GCC being no exception), and which regulators are struggling to keep up with. The risks also relate to the ways in which consumers' personal information is handed over during online activity and is then used, often without the consumers' knowledge. Finally, there is the more familiar challenge of providing protection in the area of financial services, though this responsibility may not lie with consumer institutions and regulatory authorities (*see Exhibit 1*).

GCC countries understand the challenges and so are putting in place regulations and strengthening institutions to protect their citizens from harm at the hands of producers and traders. However, these efforts are at a relatively early stage when compared to those in developed countries.

² The sharing economy is digital transactions that aggregate a market from otherwise unused capacity, such as people's cars and apartments.

Exhibit 1

New developments that pose a threat to GCC consumers



Six tenets of consumer protection in the GCC

As they try to get their arms around the emerging challenges of protecting consumers and look out for new challenges ever on the horizon, GCC officials will find the following six tenets of consumer protection useful (*see Exhibit 2*).

Create regulations that are in equal parts comprehensive and flexible

Detailed laws are the building blocks of a well-established consumer protection landscape. GCC governments should ensure that the laws they are working on individually (and together — a unified consumer protection law for the GCC is also in development) are as comprehensive as possible to maximize the scope of consumer protection. Around the world, consumer protection laws usually concentrate on three areas: unfair commercial practices; misleading actions/omissions and aggressive practices; and a list of commercial practices so egregious that they are banned outright.

Some countries add other protections. In industries where there are high-pressure sales tactics, many countries have introduced “cooling-off” provisions that give consumers a set period of time in which to change their minds about a purchase. Class action suits, widely used in the U.S. and increasingly adopted elsewhere, can provide further protection to consumers by allowing one or several people to pursue a legal action on behalf of a much larger group. In an era of extensive e-commerce, class actions make it far easier for groups of consumers to seek compensation from firms that have fixed prices or have formed cartels.

Another item that is critically important — because of how quickly trade is developing — is that any law put in place in the GCC must be able to incorporate changes and adapt. Examples of adaptations include the EU’s “cookie law” of a few years back, which required websites to get consent from visitors before storing any of their information. The EU has also taken steps to protect children from unwittingly purchasing mobile applications by banning exhortations aimed at those below a certain age, and by requiring that users explicitly consent to purchases. The set of challenges that are emerging in the GCC makes it imperative that its regulations, too, continually adapt.

Exhibit 2

Tenets of consumer protection in the GCC

1	Create regulations that are in equal parts comprehensive and flexible	<ul style="list-style-type: none">- Consumer protection laws should concentrate on three areas: unfair commercial practices; misleading actions/omissions and aggressive practices; and a list of commercial practices so egregious that they are banned outright- Laws should be able to incorporate changes and adapt
2	Put in place the right institutions and operating model	<ul style="list-style-type: none">- An empowered consumer protection agency (CPA) can better manage consumer protection functions- Sophisticated complaint-handling mechanisms, well-trained staffs, and a robust research framework are key- Risk-based inspections should replace the less effective routine ones
3	Define an enforcement philosophy	<ul style="list-style-type: none">- Balance the use of preventive and punitive measures- Emphasize prevention through awareness for businesses and keep harsh enforcement for when the harm to consumers is severe and irreparable
4	Engage the consumer — and the community	<ul style="list-style-type: none">- Conduct awareness campaigns addressing consumer rights- Introduce a wide range of tools to help consumers exercise and demand these rights (e.g., consumer helplines, digital recall platforms, and interactive online platforms)- Encourage the development of advocacy bodies that would share the job of lobbying regulators and educating consumers with the CPA
5	Go beyond state borders	<ul style="list-style-type: none">- Outline a clear road map and develop practical mechanisms to strengthen cross-border collaboration and knowledge sharing
6	Take the long-term view and continually evolve	<ul style="list-style-type: none">- Keep on improving the consumer protection ecosystem through leveraging research that can draw on information in the countries' consumer complaint systems and in inspection data

Put in place the right institutions and operating model

In countries that are most advanced in their consumer protection frameworks, a proper operating model is generally in place. Many use consumer protection agencies (CPAs) to manage their core consumer protection functions, including complaint handling, research, and inspection.

Well-run CPAs have sophisticated complaint-handling mechanisms so that consumers can easily report incidents and know they will get attention. With IT tools and well-trained staff, these agencies are a central part of the consumer protection effort in many countries. Australia and New Zealand are particularly strong in this regard.

The countries that are most sophisticated about consumer protection also tend to do a great deal of research on the topic. The research helps governments understand what the consumer's experience is in certain situations, where there are especially large gaps in power between consumers and those selling to them, and which new trends or markets merit monitoring.

In addition, countries with strong frameworks have gravitated to more sophisticated ways of doing inspections. Inspections based on risk concentrate on businesses whose prior infringements and potential for doing harm (because of the type of product or service they provide) are at levels that make them candidates for especially close monitoring. In the frameworks these countries use, businesses are scored according to a variety of assessment criteria and then categorized as high, medium, or low risk. The U.K. and the Netherlands — which both have good reputations for consumer protection — are among the countries that use risk-based monitoring.

GCC countries tend to be less far along in their protection-related institutions and processes. Oman is the only GCC country that has a stand-alone CPA (in Oman it is called the Public Authority for Consumer Protection); most of the region's other consumer protection custodians are units in their countries' ministries of economy, commerce, or industry. In addition, most GCC countries use routine inspections, which are generally less effective than risk-based ones.

Define an enforcement philosophy

To ensure compliance with consumer protection laws, authorities must use both preventive and punitive measures. Preventive measures are generally preferable in that they keep undesirable behaviors from happening in the first place. Countries that are far along in their consumer protection practices communicate guidelines to suppliers and producers, and use awareness campaigns to reduce the likelihood that the suppliers will find themselves out of compliance. However, behavior detrimental to consumers inevitably happens — and when it does, countries must have enforcement measures that they can turn to.

Enforcement measures can vary from the soft — a letter from the consumer protection agency — to the very harsh. In extreme cases, the executives of a company that has committed an infraction can face severe personal actions. This and the threat of business closure are as serious as enforcement gets.

Figuring out how they want to use prevention and enforcement is an important challenge for the GCC's regulatory authorities. To date at least, these countries' enforcement activities have mostly been conducted in an ad hoc way, often without clear targets or any sort of road map. As in other regions, it would be advantageous for the GCC to emphasize prevention rather than leap to harsher enforcement-focused measures. Harsh enforcement, however, does have its place. When the harm to consumers is severe and irreparable, shutting down a business can send a message that there are certain infractions that perpetrators will pay for with their livelihood.

Engage the consumer — and the community

Consumers have a central role to play in their own protection. After all, when something detrimental occurs, they are the ones who pay the most direct price in terms of inconvenience, stress, financial loss, or threat to safety or health.

So it is no surprise that many countries with mature consumer protection frameworks enlist consumers as a first line of defense. They do this through awareness campaigns addressing consumer rights, and by introducing a wide range of tools to help consumers exercise and demand these rights. For example, to ensure that consumers were aware of their rights in the sharing economy, the government of the Canadian province of Ontario partnered with Airbnb in early 2016 to launch a pilot program aimed at informing consumers and home owners of their rights when engaging in accommodation-sharing. In the U.K., the “Cyber Streetwise” campaign, which was launched in 2014, has been providing consumers with the knowledge they need to safeguard their cyber security amid a surge in consumer profiling.

GCC countries have become increasingly active in the consumer empowerment domain, setting up events and launching awareness. For example, Saudi Arabia and Qatar have recently launched consumer awareness efforts to help consumers know their rights. In order to maximize the impact of these efforts, however, GCC authorities should strive for a holistic approach that clearly defines the target consumers as well as the messages and delivery channels. GCC countries also need to develop tools to allow consumers to voice their concerns. The tools could include consumer helplines, digital recall platforms, and interactive online platforms. GCC governments can explore whatever dispute resolution mechanism happens to be best suited to their local environments, be it their own online platforms or third-party dispute moderators.

Alongside individual consumers, civil society has a role to play in consumer protection. In many countries, the mechanisms for civil society's involvement are what are known as advocacy bodies. Advocacy bodies play a number of important roles, from pushing government entities to pay attention to consumers' rights in important areas, to providing research that pressures companies to stop policies harmful to consumers. In Australia, for instance, the advocacy group CHOICE does a lot of work looking out for consumers in the areas of digital rights and banking. The non-profit U.K. organization Which? was instrumental in getting the U.K. government to cap fees on pensions and in convincing the country's communications regulator to block penalties for consumers who cancel a phone service after an increase in a tariff.

With the exception of Oman and Saudi Arabia, such advocacy bodies do not exist in the GCC, and even in those countries their activities and influence are limited. To the extent possible, and as their approach to consumer protection matures, GCC countries should look to encourage the development of these groups. They can lighten some of the burden on the countries' consumer protection agencies by sharing the job of lobbying regulators and educating consumers.

Go beyond state borders

In recent years, GCC governments have been collaborating on consumer protection. The GCC Consumer Protection Committee has held meetings to unify the region's efforts, and there have been discussions about the creation and launch of unified consumer protection platforms. In addition, the GCC has, for several years, been working on a unified consumer protection law. However, the rollout of the law has been delayed and in general, the cross-border activity has produced few tangible results for consumers. At this point, GCC authorities should be looking to outline a clear road map and develop practical mechanisms to strengthen collaboration and share knowledge. As the EU's joint efforts have demonstrated, there are big benefits in offering protection to consumers beyond a single state's borders.

Take the long-term view and continually evolve

If consumer protection measures are static, they will eventually cease to be effective. GCC governments should understand how much change there will necessarily be in the focus of their consumer protection efforts and in the tools they use to achieve their protection goals. To know what moves they should be making, they will need reliable information, and research should play a central role in the GCC's consumer protection efforts. Research — which can draw on information in the countries' consumer complaint systems and in inspection data — is a vital part of understanding where consumers feel vulnerable and identifying possible remedies. This is essential if the GCC is to keep on improving its consumer protection ecosystem.

Conclusion

Consumer protection is an ongoing effort to keep abuses from happening, minimize their impact when they inevitably do happen, and keep a specific type of abuse that has already happened from recurring. The numerous ways in which consumers can be taken advantage of means that countries must be prepared to deal with problems in different areas and keep altering their consumer protection framework. Many countries have made big strides in their approach to consumer protection — such as defining the right set of enabling regulations, implementing an adequate operating model with agencies or departments in agencies that fulfill consumer protection functions, and continuously adapting the model to changing patterns while increasing awareness and engaging the community — and the GCC can achieve this too. Better safeguards for consumers will allow GCC countries to accelerate the modernization of their commerce infrastructures. That, in turn, will enable these economies, which have come so far, to keep moving forward.

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