Consumer protection in the shadow of the global financial crisis - a study on the way forward of consumer protection in European Union, Republic of Moldova and P.R. of China -

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30 January 2012

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Consumer Protection in the Shadow of the Global Financial Crisis

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January 2012

JEL Classification Numbers:

Keywords: Consumer protection, Financial Crisis, Policy Implications

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“Not enough brain power' spent on consumers during financial crisis …”

- French Finance Minister, Christine Lagarde -

May 2011

BASELINE REMARK

As could be expected, the global financial crisis is on everybody's mind and causing a lot of worries. The current crisis has reached the consumers globally and intensified conversations about consumer protection. It has threatened their wealth as people have lost their assets, savings and they are facing major concerns about their future stability.

This financial crisis began with a failure to protect consumers. Effective, affirmative and preventative consumer protection needs to be a major part of the global solution.

This paperwork intends to make a contribution to those debates by addressing a few specific questions: *Did a lack of consumer protection cause the financial crisis? Who is likely to benefit from this present financial crisis, and who is likely to lose out? How can countries design appropriate formal coordination policy and mechanisms between their central governments and other relevant consumer regulatory agencies?* The approaches recommended by the paperwork are built upon the premise that national governments cannot be effective in isolation, and ultimately depend on collaboration with other regulatory agencies to effectively fulfill their mandate of consumer protection, price transparency, economic and financial stability.

Additionally, this paper reviews documentation and some relevant research, articles, proposals that relates on the one side regarding consumers in the evolving reform of the consumer protection regime after the global financial crisis and on the other side to help understand the how consumer protection watchdogs can best respond.

The cause and effects of the current financial crisis likely will be debated for years to come. The paper summarizes current thinking on what reforms can best address these issues. This paper is structured as follows. First, it provides a short overview of the global financial crisis. Next, it presents the findings of current situation and recent studies on the financial crisis. The paper then continues by discussing and underlining of policy responses to crisis and government intervention, mainly focused on European Union, PR of China and Republic of Moldova. Next section reviews new dimensions of the consumer protection based on existing studies and then provides some relevant approaches on regulatory structure determining the role and responsibility of SRO. The final section summarises the key findings and concludes with a number of areas of current debate and some policy implications.

INTRODUCTION

There is no precise definition of "financial crisis," but a common view is that disruptions in financial markets rise to the level of a crisis when the flow of credit to households and businesses is constrained and the real economy of goods and services is adversely affected[1].

As we are all aware, what began as a bursting of the U.S. housing market bubble and a rise in foreclosures has ballooned into a global financial and economic crisis. The crisis has exposed fundamental weaknesses in financial systems worldwide. Despite coordinated easing of monetary policy and trillions of dollars in intervention by central banks and governments, economies continue to decline into what is turning out to be the most severe global recession since the Great Depression of the 1930s[2].

Rightly or not the U.S. housing market bubble is often used to mark the start of the global financial crisis that had national governments scurrying to come up with quick solutions to prevent a meltdown of the financial system, provide sufficient assistance and help for consumers.

No business sector stayed untouched, all companies being seriously affected and having to cope with the crisis. The impact of the crisis has been severe across the globe.

Before this crisis, we know only too well there was already a crisis. Subdued growth in productive employment, relative to the rise in output, and scant social protection, coupled with rising income inequality, featured together with excessive confidence in self regulating markets. Middle classes were weakened. Young persons, migrant workers and notably women workers in precarious and informal jobs are particularly exposed to the hardships of the current downturn (Juan Somavia, 2009)[3].

The global financial crisis sent shock waves around the world and has had major impacts on European and Asian workers, including massive job losses and reductions in spending power. It has had even more serious consequences for consumers. With the deteriorating economic situation and the rising unemployment rate, the rate of consumer credit in bad debts has a rapid increase (World Economic Outlook, January 2009).

Importantly, the crisis is spreading throughout the real economy by means of three mutually-reinforcing transmission channels, namely: the limited availability of credit for working capital, trade finance and viable investments in the real economy (the credit crunch); cautious spending decisions, leading to lower output, employment and prices, in turn affecting confidence among consumers and investors (the vicious cycle of depression); and international trade and investment linkages and remittance flows (the globalization channel)[4].

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[1] http://fpc.state.gov/documents/organization/103688.pdf
[2] Congressional Research Service, http://www.fas.org/sgp/crs/misc/R40578.pdf
[3] **Juan Somavía** is the current Director-General of the International Labour Organization (ILO) http://en.wikipedia.org/wiki/Juan_Somav%C3%ADa
[4] The Financial & Economic Crisis: A Decent Work Response. http://www.ilo.org/public/libdoc/ilo/2009/109B09_59_engl.pdf

Developing countries too are facing the effects of the crisis, which will disrupt – and in some cases reverse – the achievement of Millennium Development Goals (MDG), including decent life and work for all. Decent living and working conditions still remain out of reach for large numbers of people.

The financial crisis highlighted the importance of financial consumer protection for the long-term stability of the global financial system. Financial consumer protection requires updated and clear rules of conduct for financial firms regarding their retail customers. The widespread recession is increasingly threatening consumer wealth. Though the crisis began in the financial sector, its impact has reached consumers worldwide. Consumers are losing their assets, incomes, confidence in the current market system and ultimately consumers have to belt-tightening.

With the deepening crisis came calls for reform of financial and consumer protection regulatory institutions which were widely seen to have failed to avert the crisis and slow to deal with it effectively. (David S. Evans, September 2009)[5]. Apart from this failure to maintain systemic stability, there were also some failures to protect consumers, for example regulators' approaches to the supervision of financial firms were not assertive enough thus resulting in a situation where a large number of borrowers are struggling to pay back mortgages as a result of irresponsible lending.

The international community has recently increased its focus on financial consumer protection. Policy makers and regulators have noted the pressing need for a set of guidelines of market conduct against which existing policies, laws and regulations, institutions and initiatives can be measured and assessed.

But in broad terms, the scale and scope of the crisis can be attributed to a failure to identify and manage risk, particularly by those financial institutions that turned out to be of systemic significance for the global financial system. This precipitated falls in business and consumer confidence, massive falls in global equity markets, and large declines in global production and trade.

In response to these experiences, it is appropriate to seek out policies to make sure that the same thing does not happen over again. Bold and swift action is required to reactivate the world economy in order to avoid a social recession from occurring.

Any future financial crisis will likely be different from the one we are going through, but it is still important to learn the lesson of history and not repeat it.

Role and Design of Consumer Protection after Crisis

Consumers need adequate laws and regulations, efficient solutions, functional consumer protection watchdogs — and access to financial education — to protect them selves in the

[5] **David S. Evans** is the Chairman of the Global Economics Group. Evans has an international practice and has worked on matters in the United States, the European Union, China, Brazil, Australia, and other jurisdictions.

face of increasing financial risks. Consumer protection directly contributes to efficiency of financial intermediation, transparency of financial products and services, ensuring a fair market operation, and product innovation driven by consumers' demand. Empowered consumers help foster competition, quality and innovation in provision of financial products and services, while educated and confident investors can provide additional liquidity to capital markets for their growth and development (Gauzes, 2008).

The current global financial crisis is testing the ability of the National Governments (NGs), Regulatory Authorities (RAs) and Consumer Watchdogs (CWs) to provide sufficient assistance and protection of the ordinary consumers. It has also enhanced the NG's, RA's and CW's role in crisis management and given it a key place in current efforts to reform the consumer protection policy and framework.

The effects of the financial crisis have been felt in many parts of the world and have been very severe indeed. They have led to some substantial changes in the way the European financial service is regulated, with potentially significant consequences for its consumers. The first change is a change in the consumer protection vision and its approach to supervision. The second, and more significant change, is the European coalition government's plan to put in place a new durable consumer protection regime (for ex. financial regulation regime), that will see the new regulatory regime phased out in next years, and its functions carried out by the regulatory structures and a number of new regulators.

Consumer Protection affects every citizen and a robust and responsive European Union, Moldova and P.R. of China policy in this field can help to keep markets honest, assist economic development and also change citizens' lives for the better.

The failures of consumer protection have been one of the detonators and amplifiers in the crisis. In light of the recent global financial crisis, policy responses during the crises have focused on one hand to enhanced disclosure of pre-contractual, contractual terms, conditions of financial products, their professional and ethical distribution and debt counseling and on other hand to educational programs for consumers, regulation, supervision, enforcement and access to financial education[6].

Consumers suffer from imbalances of power, lack of information and resources vis-à-vis financial institutions. Such unfair and disproportions create market failures. Well functioning consumer protection empowers consumers to effectively exercise their demands and enforce demand-driven.

Countries world-wide are experiencing a simultaneous downturn both in economic activity. Even China, though its economy continues to expand, has experience a substantial reduction in its rate of economic growth. Both governments and international financial institutions have been motivated by the need to reduce their expenditures but such transfers have come at a cost to both consumers and the society.

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[6] www.worldbank.org/eca/consumerprotection.

National governments are determined to review annual fiscal policy and pay attention and act carefully to the development of law and policy on Consumer Protection[7].

The overall approach focuses on achieving compatibility between the standards of consumer protection, exchange of information on legislative and institutional reform, the improvement of information provided to consumers and the development of exchanges between the consumer interest representatives. Starting in the mid-1970s, the EU has endeavoured to harmonise these national measures in order to guarantee European citizens the same high level of protection throughout the single market[8].

This process offers clear benefits to every citizen in Moldova. It is also beneficial for the business sector as confident, informed and empowered consumers act as a catalyst for economic innovation and evolution.

For example, at present major reforms of EU consumer law are being developed and the EU is taking specific action to address consumer problems in areas such as financial consumer education, on-line air ticket bookings, mobile phone roaming charges, price marketing policy ,insurance policy, financial services and access to effective redress when things go wrong.

Consumers can enforce good business conduct and market discipline of financial institutions as long as an inexpensive, fast and effective redress mechanism is in place. However, consumer protection does not substitute for prudential regulation as its scope is narrower. It overlaps with business conduct (market integrity) regulation and supervision in focusing on the relationships of financial institutions with retail customers. However, business conduct regulation and supervision includes other elements, such as fair competition among financial institutions and market integrity[9].

Most recently, more attention has been paid to the institutional design for financial consumer protection, including regulation, supervision and enforcement and access to financial education.

A well-designed consumer protection framework ensures five principles (World Bank, 2008). Namely provides the financial consumer with:

> 1) Transparency through clear, material and comparable information about the prices, terms and conditions, and risks associated with financial products and services;

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[7] **Moldova Case**: In the context of the EU integration efforts of the Republic of Moldova, the development of law and policy in Moldova to EU standards in the Consumer Protection has been specifically agreed under the Partnership and Co-operation Agreement and the European Neighborhood Action Plan. In the current system of consumer protection, regulatory authority is dispersed among over a dozen central public authorities and hundreds of local public authorities. Regulatory authority varies by the type of institution involved, nature of litigation and the type of territorial competence. The legal framework in the field of consumer protection is still under progress at present.

[8] http://europa.eu/legislation_summaries/consumers/index_en.htm

[9] http://mpra.ub.uni-muenchen.de/28201/1/MPRA_paper_28201.pdf

2) Free choice via fair, non-coercive and professional practices in the selling of financial products and services, and collection of payments;

3) Redress through inexpensive, speedy and effective mechanisms to address complaints and resolve disputes;

4) Privacy through control over access to personal information; and

5) Access to financial education to enable consumers to empowers themselves by improving their financial literacy and capability.

Such a framework sets clear and transparent rules of engagement between households and financial institutions, and ensures their effective implementation and enforcement. Financial consumer protection has two modes of delivery: (1) regulation and (2) financial education, where the regulation includes self-imposed, compulsory (enforced) and voluntary codes of conducts. In other words, FCP regulation imposes socially desirable constraints on the financial industry in its dealings with consumers, while financial education intends to improve financial capability of consumers with the hope to promote well-informed and responsible financial behavior[10].

Between the multi-polarity of the current global crisis and the enormous effort of policy responses both domestic and abroad, it has become increasingly challenging to understand the unforeseeable and complex side of the crisis and evolving response to the crisis.

Two main tendencies have emerged from these efforts. First one, on state's level have reaffirmed the importance in keeping of effective and constructive dialogues, consolidated collaboration and supervision, particularly at large scale, regulatory authority can properly understand risks and exposures that cross: consumers, legal entities and business lines during and after crisis. Second one, consumer watchdogs, civil society and NGO's must combine a systemwide prudential, perspective with consumer risk analysis to better anticipate problems that may arise from the interactions of consumer behavior and markets.

Additionally, growing international trade means that increasingly the same products are traded on markets across the world. Therefore, an international cooperation between global regulators in the sphere of *consumer education, consumer product safety, consumer policy toolkit, corporate social responsibility*, etc very much welcomes, particularly because of its comprehensive approach, based on addressing together and develop a coordinated response to the challenges consumer's face in market and to address more timely information so that supervisors can identify emerging risks sooner and respond more effectively.

POLICY RESPONSES TO THE CRISIS

For almost a 3 years and a half the global financial system has been under extraordinary stress, stress that has now decisively spilled over to the global economy more broadly. The financial crisis has shown how poor standards of consumer protection can spread instability

[10] Ibid, page 4.

throughout the international financial system. Consumer groups across the world and the umbrella organisation has been working to argue for these changes.

A global market place requires a global approach to the enforcement of better consumer protection rules. That's why the developing in close cooperation with international partners, to exchange information on emerging risks and unsafe products, coordinate standardisation efforts and to ensure that business actors worldwide are aware of the corporate social responsibility requirements and comply with them.

Supervisors in the United States, European Union and abroad are now actively reviewing prudential standards and supervisory approaches to incorporate the lessons of the crisis. For our part, the Federal Reserve is participating in a range of joint efforts to ensure that large, systemically critical financial institutions hold more and higher-quality capital, improve their risk-management practices, have more robust liquidity management, employ compensation structures that provide appropriate performance and risk-taking incentives, and deal fairly with consumers[11].

Consumers international (CI)[12] have signed an open letter to G20 finance ministers and G20 leader calling for financial protection for "ordinary people" and urgently wants to see the needs of everyday consumers of financial services pushed to the top of the next agenda at G20 summit and remember that weak consumer protection in the form of irresponsible mortgage lending was a catalyst for this crisis, and to ensure that the worldwide financial crisis is never repeated.

The financial crisis has shown the weak side of consumer protection. A statement from the Cannes Summit final declaration states: 'We agree that integration of financial consumer protection policies into regulatory and supervisory frameworks contributes to strengthening financial stability[13].

A fundamental element of effective financial regulation is protecting consumers from unfair and deceptive practices. The recent crisis clearly illustrated the links between consumer protection and the safety and soundness of financial institutions. We have seen that flawed financial instruments can both harm families and impair financial stability. Strong consumer protection helps to preserve household savings and to provide families access to credit on terms that are fair and well matched with their financial needs and resources. At the same time, effective consumer protection promotes healthy competition in the financial marketplace, supports sound lending practices, and increases confidence in the financial system as a whole. The Federal Reserve has taken several important steps to strengthen the protections provided consumers and ensure that these protections effectively respond to market changes and emerging risks. As well-informed consumers are better able to make

[11] http://www.federalreserve.gov/newsevents/speech/bernanke20091023a.htm

[12] Consumers International (CI) is the world federation of consumer groups that, working together with its members, serves as the only independent and authoritative global voice for consumers. With over 220 member organisations in 115 countries, we are building a powerful international movement to help protect and empower consumers everywhere. Please see: http://www.consumersinternational.org/

[13] http://www.which.co.uk/news/2011/11/g20-summit-a-success-for-consumer-protection-270720/

decisions in their own best interest, effective disclosures are the first line of defense against improper lending. The Federal Reserve has pioneered the use of extensive consumer testing to improve the clarity of disclosures, notably for mortgages and credit cards. However, we have learned that even the best disclosures may not always sufficiently protect consumers from unfair practices. Accordingly, we have written rules providing strong substantive protections for mortgage borrowers and credit card users[14].

The recession, its spread was unprecedented impact on consumers. Through the crisis began in the financial sector, its waves has reached consumers worldwide. It called for large government interventions, which have left many legacies for the future.

Countries worldwide have attempted to address the crisis through the adoption of massive financial and social rescue measures and the announcement of fiscal stimulus packages.

Table I Problems, Targets of Policy, Responsible Authority and Actions Taken or Possibly to Take in Response to the Global Financial Crisis

Country	Problem	Targets of policy	Responsible Authority	Actions Taken / Possibly to Take
Financial Crisis and Policy Implications				
European Union States (EU)	Consumer runs on deposits in banks and money market funds	Financial sector, Consumer Protection policy	Policy makers, National Governs	Guarantee bank deposits; Guarantee money market accounts
	Bankruptcy of financial institution	Financial Sector, Banks and financial institutions	Policy makers, National Governs	Capital injection through loans or stock purchases; Increase capital Requirement[15]
	Global recession, rising unemployment declining exports	Monetary and fiscal policy	Policy makers, National Governs	Stimulative monetary and fiscal policies; Support for unemployed
China	Global recession, declining exports	Financial and monetary policy	Central & provincial Governments and other state authorities	Stimulative monetary and fiscal policies; VAT reform[16]

[14] Chairman Ben S. Bernanke's speech _ October 23, 2009
At the Federal Reserve Bank of Boston 54th Economic Conference, Chatham, Massachusetts

[15] The European Central Bank cut its benchmark rate to an historic low of 1 percent and adopted a series of unconventional measures to inject liquidity into the financial system and get credit flowing again. European countries also undertook significant interventions to stabilize their financial sectors. Together, the EU countries injected nearly €300 billion worth of capital into financial institutions and extended €2.5 trillion worth of guarantees.

[16] Beside the increase in expenditures, the government also considered tax reduction, which included value-added tax (VAT) reform, purchase tax cut and raising the threshold of individual income taxes. On the top of the central government's stimulus package, provincial governments were encouraged to raise money to launch own complementary stimulus packages (18 trillion RMB). At the same time the PBOC also ushered in an expansionary monetary policy.

	Poor living standards and weak educational system in rural areas	Rural development program; other Simulative packages	Central & provincial Governments and other sate authorities	Improving rural infrastructure and living standards[17]
Moldova	Global recession, declining exports and revenues	Financial and Energy sectors	Government and other regulatory authorities	Improving business environment and stabilizing financial and energy sectors[18]
	Lack of regulatory framework for the financial sector	Financial and monetary policy	Government and other regulatory authorities	Maintaining price stability and strengthening the banking sector[19]

Table II Problems, Targets of Policy, Responsible Authority and Actions Taken or Possibly to Take in Response to the Global Financial Crisis

Country	Problem	Targets of policy	Responsible Authority	Actions Taken / Possibly to Take
		Consumer Protection and Policy Implications		
European Union States (EU)	Declining of consumer spending	Fiscal Stimulus Program, Tax reform	EU policy makers;	Many countries opted for tax cuts[20].
	Financial services, consumer credit, price transparency, unfair contract terms and business practices etc	Consumer Protection Program[21]	EU Commission, Governments, regulatory authorities, and other EU consumer groups	Will simplify the existing rules, increase consumer protection by eliminating hidden charges and costs,etc
China	Income differentials between rural and	Fiscal Stimulus and Consumer Protection	Central & provincial Governments and	Have increases in social transfers[22]

[17] More than half of the allocated funds went to rural development and prominent infrastructure construction. For example: railways, highways, airports, irrigation facilities, medical care development, etc. In April 2010, the government introduced a new long-term strategy designed to improve schooling for students in rural areas.

[18] The Moldovan authorities have made efforts to improve the business environment, promote exports, stabilise the financial and energy sectors. Laws and regulations are being reviewed with a view to streamlining permit requirements and decreasing the constraints on doing business. Important reforms include simplification of business regulations and liberalisation of trade, including the reversal of the temporary wheat export ban, strengthened supervision of banks and a rise in heating tariffs towards cost recovery. http://www.ebrd.com/downloads/research/transition/assessments/moldova.pdf

[19] The central bank has continued its efforts to maintain price stability and strengthen the banking sector and has maintained greater exchange rate flexibility and has built the capacity to implement inflation targeting. At he same time, the regulatory framework for the financial sector should be further improved. Measures are needed to strengthen banks' governance as well as to prevent the build-up of macroeconomic vulnerabilities, including from foreign currency lending to un-hedged borrowers. Recent raider attacks on commercial banks have demonstrated weaknesses in the legal and judicial frameworks governing the financial sector.

[20] Tax cuts aimed at stimulating consumer spending (these tax cuts fall into two categories: income tax cuts and sales tax cuts such as VAT reductions). Others have adopted tax cuts to boost sales in certain sectors, such as automobiles in Germany. In some cases, this includes incentives for home buyers/consumers to purchase energy efficient homes and "greening" existing homes by providing subsidies and tax exemptions.

[21] The Strategy sets out 3 high-level objectives for European consumer policy over the next seven years:1)Empowering consumers; 2) Enhancing consumer welfare; 3)Protecting consumers.

	urban population	Program	other regulatory authorities	
	Low domestic household consumption; Declining of consumer spending	Fiscal Stimulus Program, increasing domestic consumption	Central & provincial Governments and other regulatory authorities	Discount program to stimulate consumer spending[23]
Moldova	Non-Consolidated Agency,Institutional framework	Consum. Protection Law and Policy	Ministry of Economy and other related authorities	New provisions, entered into a force on January 1, 2012
	Legal framework, consumer credit, financial service, unfair financial practices, etc..	Financial Consumer Protection, Consum. Protection Law and Policy	MEC, MF, NBM, ACP and other related regulatory entities[24]	Consumer Credit Law will enter into a force at the end of 2012.
	Consumer redress and pecuniary access to justice, Unfair contract terms	Consum. Protection Law and Policy	ACP , Ministry of Justice, Ministry of Economy	New provisions, entered into a force on January 1, 2012
	Product safety[25], Distance selling, time share regulation[26], package travel, etc.	Consum. Protection Law and Policy	ACP , Ministry of Justice, Ministry of Economy	Moldova have to update the existing measures and adopt new law to achieve harmonisation with EU consumer law

The global economic crisis leads to a decline of the labor demand in the European countries and directly affect Moldovan citizens working abroad; consequently the volume of money transferred to Moldova is going to be lower, respectively, it could lead to lower consumption and lower economic growth too.

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[22] Social transfers aimed at poor and low-income households. Social transfers include direct cash transfers, conditional cash transfers, and social welfare programmes. Reallocation of labour to high-productivity sectors of the economy should help boost productivity, as would a reduction in human capital differentials across the country.

[23] This program was budgeted at 6 billion RMB, providing individuals with subsidies of 3,000 RMB and 6,000 RMB for trade-ins. More other, this program was extended in June 2010.

[24] Ministry of Economy, Ministry of Finance, National Bank of Moldova, Agency of Consumer Protection, Coordination Council on Consumer Protection, etc. .

[25] The AEI government is working on measures to strengthen food safety standards to increase agricultural exports to the European Union and other markets.

[26] In the EU, the term "timeshare" actually refers to two types of organizations: timeshares and travel clubs. When purchasing a timeshare, the consumer buys the right of use of the holiday accommodations for a certain amount of time each year or an equivalent number of points in a point-based system. The new rules entail the following new regulations: (1) cover all vacation ownership properties to include travel clubs, (2) provide comprehensive precontractual information before making choices, (3) cover movable property such as canal boats, caravans, etc., (4) bans advance payments of any time and (5) creates a unified 14-day cooling off period where a consumer can withdraw from a contract from any reason.

The Global crisis brings high risk, expressed by reduction in private investment flows, making weak economies even less able to cope with internal vulnerabilities and development needs. While the effects vary from country to country, the economic impacts mostly include:

- Weaker export revenues;
- Further pressures on current accounts and balance of payment;
- Lower investment and growth rates;
- Lost employment;
- Loosing of consumer confidence;
- Affect consumer welfare;
- Lower growth translating into higher poverty;
- Less Remittances;
- More crime, weaker health systems and even more difficulties in social protection.

EUROPEAN UNION

The European Union has progressively developed measures aimed at safeguarding the specific interests of consumers. As noted earlier, starting in the mid-1970s, the EU sought to harmonise national measures in order to guarantee European citizens the same high level of protection throughout the single market.

Promoting consumers rights, prosperity and wellbeing has always been the core values of the European Union. It has already been recognized that these issues have effect on the economy. They are the lifeblood of the economy as their consumption represents 58% of EU GDP. Confident, informed and empowered consumers are the engine of economic change as their choices drive innovation and efficiency.

The European Union is now facing with new challenges. Some European countries[27] initially viewed the financial crisis as a purely American phenomenon. That view changed as economic activity Europe declined at a fast pace over a short period of time. Making matters worse, global trade declined sharply, eroding prospects for European exports providing a safety valve for domestic industries that are cutting output. In addition, public protests, sparked by rising rates of unemployment and concerns over the growing financial and economic turmoil, have increased the political stakes for European governments and their leaders[28].

The 2007-2009 financial crisis affected the European Union's (EU) economies mainly because large European financial institutions adopted essentially the same business model as those operating in the United States before the crisis[29]. A criticism of the existing EU regulatory framework leading up to the 2007-2009 financial crisis was that some Eurozone country financial supervisors allowed their supervised institutions to use the originate-to-

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[27] CRS Report R40415, The Financial Crisis: Impact on and Response by The European Union, by James K. Jackson.

[28] http://www.fas.org/sgp/crs/misc/RL34742.pdf

[29] Takafumi Sato, Commissioner, Financial Services Agency, "Current situation of Japan's financial system and FSA's policy response," Financial Services Agency Speeches, June 17, 2009, p. 2. http://www.fsa.go.jp/en/annouce/state/20090617-1.html.

distribute business model that gave their institutions a competitive advantage over other European Union banks. These financially large but poorly supervised institutions developed highly profitable lines of business that took risky assets off their balance sheets without setting aside the appropriate amount of required capital to cushion against institutions' risk exposure[30].

The global economic crisis is straining the ties that bind together the members of the European Union and has presented a significant challenge to the ideals of solidarity and common interests.
The EU Consumer Policy strategy 2007-2013 aims to strengthen consumer protection and financial literacy[31]. The strategy has three objectives to: (1) empower consumers by ensuring that they have real choices, accurate information, market transparency, and the confidence that comes from effective protection and solid rights; (2) enhance consumers' welfare regarding price, choice, quality, diversity, affordability and safety of products; and (3) protect consumers as a group from the serious risks and threats that cannot be withstood on an individual basis.

In other words the EU is committed to improving the quality of life of its citizens. Key steps for the implementation of the strategy involve development of benchmarks for national consumer policies, including a consumer protection policy for the financial sector, and collection of service quality data and complaint statistics. The EU takes the approach that an effective regime of financial consumer protection covers three areas. This provides a policy rationale for government intervention, consumer information and consumer education. Consumers should have access to: (1) sufficient information to make informed decisions in the purchase of financial services, (2) cost-effective recourse mechanisms to redress violations of the financial service contract, and (3) programs of financial education.

During the economic and financial crisis, the European Union acted rapidly to define a common approach for restoring confidence in the financial industry and preserving and promoting economic growth, and succeeded in preventing a meltdown of European financial markets, saving millions of jobs. In December 2008, European countries agreed on a European Economic Recovery Plan – a coordinated fiscal stimulus that amounted to approximately 5 percent of GDP in 2009 and 2010. The European Central Bank cut its benchmark rate to an historic low of 1 percent and adopted a series of unconventional measures to inject liquidity into the financial system and get credit flowing again. European countries also undertook significant interventions to stabilize their financial sectors. Together, the EU countries injected nearly €300 billion worth of capital into financial institutions and extended €2.5 trillion worth of guarantees. The EU adopted new rules on hedge funds and private equity, and as of January 2011 a new financial supervision system is in place for the 27 Member States. European Heads of State and Government also agreed on the

[30] Guillermo de la Dehesa Briefing Paper.
[31] http://ec.europa.eu/consumers/overview/cons_policy/doc/cps_0713_en.pdf

establishment of a permanent crisis management mechanism to safeguard the financial stability of the eurozone from 2013 onward[32].

Recent data show that the euro is back where it was before the crisis and that Europe's economic recovery has gained momentum. Apart from solid export performance, domestic demand has contributed to stronger growth. Employment is starting to recover. In addition, citizen confidence is high: according to the German Marshall Fund's 2010 Transatlantic Trends survey, the majority of EU respondents agreed that being a member of the EU has been a good thing for their country's own economy. Several Member States are now implementing economic recovery plans to put their fiscal houses in order. EU countries have created conditions for greater coordination of economic policies, and are laying the groundwork for sustainable economic growth in the medium and long term[33].

PR OF CHINA

Over the past several years, PR of China has enjoyed one of the world's fastest growing economies and has been a major contributor to world economic growth and prosperity. However, both the global economic crisis and the Eurozone crisis brings further risks to PR of China and Asian countries and threatens to significantly slow China's economy. The economic crisis has reduced China and EU demand for at least some categories of imports.

Numerous imbalances have emerged in the Chinese economy in recent years: a low share of private consumption expenditure and a super-elevated share of investment in GDP; an outsized manufacturing sector and a diminutive service sector; an unprecedentedly large hoard of official holdings of foreign exchange; and an increasingly high and probably unsustainable rate of investment in residential property. Mitigating these imbalances will require fundamental market-oriented reforms[34].

China's government blamed lower growth on the world economic slowdown, which means less demand for Chinese exports. "The growth rate of the world economy has slowed down noticeably. There are more uncertain and volatile factors in the international economic climate," said Li Xiaochao of China's National Bureau of Statistics. "All these factors have started to release their negative impact on China's economy".

In addition to the real economy, Chinese labor market is also seriously impacted by the global financial crisis. The Financial Times based on government statistics reported 67,000 factories have closed during the 1st half of 2008. Rural migrant workers, new college graduates and urban low educated youth are the population that is hit most seriously and directly. During the crisis, both urban and rural poverty are increase and their living conditions are deteriorating. This global financial crisis also exercises adverse impact on China's domestic consumption threatened by the financial crisis, Chinese people increase

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[32] http://eurunion.org/eu/Hot-Topics/EUROPEAN-UNION-RESPONSE-TO-THE-ECONOMIC-AND-FINANCIAL-CRISIS.html

[33] Ibid.

[34] Nicholas Lardy is Anthony M. Solomon Senior Fellow at the Peterson Institute for International Economics. He is the author of Sustaining Economic Growth in China after the Global Financial Crisis.

their family preventive saving by a large margin while curbing expending due to their expectation of declining income and worsening economic situation. Many Chinese consumers are losing their assets, incomes, confidence in the current market system and ultimately consumers have to belt-tightening.

Chinese consumers have vast implications on Chinese economy. Fortunately, the Chinese Government acted quickly in responding to the crisis. A large scale stimulation package was applied only a few months after the crisis. Additionally to stimulation package program, government adopted initiative measures to encourage domestic consumption of car sales, mainly in rural areas (by introducing of 10% discount on new cars, minivans, light trucks, farm vehicles)[35]. In 2009 the government also initiated a home appliance subsidy in four cities and five provinces. This scheme provided a 10% discount to buyers of new televisions, refrigerators, washing machines, air conditioners, computers, etc. In total, central government subsides benefiting rural areas under these programs in 2009 were 45 Billion RMB.

This situation is of great concern to the Chinese government, which views rapid economic growth as critical to maintaining social stability. China, which stands alone by virtue of its legitimacy from strong economic performance, significance and particular institutional features (e.g. high degree of state control and high levels of reserves, giving it much greater flexibility to respond to the crisis).

China's policy response to the global financial and economic crisis was swiftly, well designed and mainly based on a careful balancing of national and international economic interests. On November, 2008, it announced a fiscal stimulus of RMB 4 trillion ($586 billion). The exact incremental stimulative effect was difficult to pin down because some of the expenditures may have been previously budgeted and much of the burden of funding projects was directed to local governments. But there was no doubt about the massive scale of the stimulus and its effect on project spending throughout China[36]. Beside the increase in expenditures, the government also implemented a number of policies to stimulate and rebalance the economy increase consumer spending, tax reduction, restructure and subsidize certain industries, and boost incomes for farmers and rural poor. The government's efforts to stimulate short-term economic activity were unquestionably successful[37].

China is a major economic power and holds huge amounts of foreign exchange reserves, and thus its policies could have a crucial impact on the global economy. China's policy makers probably will keep stimulating consumer demand, discouraging savings and encouraging industries that focus on the need of the Chinese consumers and making logically steps towards assuming a greater international leadership role in putting the global economy back on its feet.

[35] This program was budgeted at 6 billion RMB, providing individuals with subsidies of 3,000 RMB and 6,000 RMB for trade-ins. More other, this program was extended in June 2010.
[36] http://twq.com/10january/docs/10jan_overholt.pdf
[37] http://www.oecd-ilibrary.org/economics/country-statistical-profile-china-2011_csp-chn-table-2011-1-en

REPUBLIC OF MOLDOVA

Like many other former Soviet republics, Republic of Moldova was never going to be immune from the global turmoil and has experienced some economic difficulties. Moldavian economy is a modest economy with significant trading partners from EU and CIS, which continues to depend greatly on remittances sent from Moldovans working abroad. In 2008, remittances reached almost one-third of GDP[38], ranking among the highest in the world.

The recent political crisis in Moldova after Parliamentary elections has brought some concerns about the security and geopolitical implications of the economic crisis into reality.

The Moldovan economy is very open and therefore seriously exposed to foreign factors. Global financial and economic crisis has already impacted the Moldovan economy and society in many ways, especially the crisis has hit Moldovan exports and remittances. Main contagion channels through which the financial and economic crisis has affected Moldovan communities are falling remittances, declining domestic and external demand, reduction in the foreign direct investments inflows, shrinking governmental transfers to local budgets, and increasing unemployment as result of migrants returning home.

Surprisingly, “The Banker”, a respected British financial journal, ranked Moldova fifth out of 184 countries for economic stability in recession times, according to the 25 indicators used to compile its World Financial Health Index for 2009.

However, by the end of 2010 output surpassed the pre crises level and the economy was well on its way to recovery. The financial crisis highlighted Moldova's economic dependence on consumption partly financed by remittances[39].

Over the years, Moldova has carried out extensive reforms of its legal framework and has managed to put in place a comprehensive legislative base for the transition to a market economy and make those laws fully effective, particularly by strengthening the court system, tackling corruption and implementing other measures to strengthen the rule of law. Nevertheless, it is necessary to take further actions, both as regards the implementation of legislation and in the enforcement area.

The rule of law is relatively weak in Moldova, and improving transparency and accountability and ensuring judicial independence have been key reform priorities for the AEI Government[40].Both EU integration efforts of the Republic of Moldova, and the development of law and policy in Moldova to EU standards in the aria of Consumer Protection has been specifically agreed under and the European Neighborhood Action Plan (ENAP).

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38 http://www.state.gov/r/pa/ei/bgn/5357.htm

39 http://www.undp.md/publications/economic_crisis/Report_impact_financial_crisis_eng.pdf

40 http://en.wikipedia.org/wiki/Alliance_for_European_Integration

Nowadays, the legal framework in the field of consumer protection is very much a work in progress. Approximation process to "consumer acquis"[41] is a long-term process, which requires optimisation of national institutional framework and of legal framework to EU standards in order to stimulate the effective functioning of a market economy in Moldova, for the development of consumer's confidence and for the advancement of international trade relations.

The institutional framework in the aria of consumer protection is mainly determined by chapter VI from the 2003 Law on Consumer Protection (updated one[42]) that provides for the "authorised entities for the protection of consumers rights" and covers the central public administration, other public authorities and consumers associations. The main public authority responsible for consumer protection law and policy is the Ministry of Economy.

In the current system of consumer protection, regulatory authority is dispersed among over a dozen central public authorities and hundreds of local public authorities. Regulatory authority varies by the type of institution involved, nature of litigation and of territorial competence. This creates a few problems. *First*, dispersed responsibility reduces accountability. Because consumer protection seems to be everyone's job, it becomes no one's job, leaving consumer face to face to bureaucracy, protection can not be an orphan mission. *Second*, some of public authorities are tasked with a conflicting mission — on the one hand they are ensuring the safety and soundness of economic agents, while on the other hand they are ensuring consumer protection mission. For example: Safety and soundness means, above all, profitability. Nowadays, abusive consumer financial products are extremely popular and profitable for financial institutions. Given bank's ability to threaten to maintain business lobby, consumer protection has routinely been subordinated to banks' profitability concerns. *Third*, cutting bureaucracy and improving efficiency. Consolidation efforts can create and increase economies; dozen public authorities can be eliminated to save money and may lead to greater efficiency of personnel, equipment, operation and maintenance, billing, and management.

Consolidating regulatory authority in a single-mission Agency of Consumer Protection would help to solve partially these problems. Consolidated supervision by a single agency is an absolute necessity. The process of consolidation from "many authorities" into one agency, requires comprehensive oversight of the consumer protection system to address the core regulatory failures and weaknesses that directly contributed to unfair and deceptive commercial practices, and the dangers that could lead to the next one. Consumers need a new consumer watch dog agency tasked with a commitment to make a good faith effort to resolve any consumer complaints.

Tim Geithner[43] said: Consumers can not be assured the opportunity to make informed choices about the risks without clear rules of the road. Innovation without regulation leads to a race to the bottom based on exploiting consumer confusion. Without rules, the firm that makes its product appear more attractive by hiding the real cost to the consumer wins. Perhaps a firm

[41] http://www.eu-consumer-law.org/
[42] http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=340558
[43] http://en.wikipedia.org/wiki/Timothy_Geithner

does not want to take that route, but competition forces it to. Without a strong framework of regulation, banks and other providers compete to take advantage of consumer confusion rather than to better serve consumer preferences.

Due to an approximation process to EU standards an efficient institutional structure in charge of consumer affairs needs to be set up within the public administration. As a result on January 1, 2012 were entered into a force a series of legal provisions regarding law on consumer protection. The upgraded law on consumer protection brings a couple of opportunities: (1) the Main State Inspectorate for Market Surveillance, Metrology and Consumer Protection (MSIMSMCO) was upgraded into Agency of Consumer Protection; (2) Consumers are exempt from state fee, (3) there are new legal provisions aim to stop unfair and deceptive commercial practices.

The likely responses required in Moldova would need to include immediate, short-term (stabilization) and long-term (structural) policy responses. Unfortunately, some planned stabilization and structural reforms have been delayed and still under reviewing.

The Agency of Consumer Protection (ACP) is the primary Moldavian enforcement agency for consumer protection. The need for a dedicated, consolidated consumer protection agency is clear.

The current consumer protection system is inefficient to protect consumers, market efficiency and innovation. While its mandate is quite broad, the ACP should make sure it is legally equipped to deal with all relevant financial services-related complaints it receives.

Consumer protection agencies are relevant for financial institutions, in particular if bestowed with a financial stability mandate. ACP should be able to autonomously write rules for consumer protections governing all financial institutions – banks and non-banks – offering consumer financial services or products, it lacks specialized staff that understands not only consumer protection but also financial products and services and financial services-related legislation. To become more effective, ACP needs to build institutional knowledge in the area of financial services. Many consumers lack knowledge and understanding in the financial area, so that disclosure alone is unlikely to be enough to solve the market failures in some areas.

The strong consumer watchdog aims to lookout for unfair deals and schemes, bad business practices and eliminates loopholes that allow risky and abusive practices to go on unnoticed and unregulated and capable to stop sharp practices and perhaps exact penalties on companies that have used them.

The ACP should be a transparent government agency and supervisory entity that takes action (based both on received complaints and its own market watch) look for situations where companies are exploiting the lack of consumer knowledge and does so quickly and efficiently and also arguing for a more balanced perspective on consumer protection, and offering some recommendations.

The financial crisis has proved how global the world of commerce is today. Mainly based on e-commerce and international trade perspectives, the ACP should focus on developing further international consumer protection initiatives and contacts that could help it become increasingly effective in developing a customer-oriented culture in financial service. The need to be member of international networks, programs, movements, organizations, actions, etc. [44] of the International Consumer Protection and Enforcement Network (ICPEN), Consumers International (CI), Organization for Economic Co-operation and Development (OECD), and so on should be a high priority e for the ACP. The entire world commerce is linked together in the developed countries and can be influenced by any number of issues good or bad.

At the same time, in many European countries[45] the institution of Consumer Ombudsman is considered to be one of the most trustful public authority with supervision mission in the interest of consumers, that pursue issues concerning the financial services (loans and credit, payment services, insurance and savings), housing, ICT [46] products and services, price transparency, e-commerce industry, television market, false bargain and limited offers and other unfair business practices.

Regretfully, the Moldova consumer protection agenda is not providing in this regard nowadays. Supervision is always more effective if there is a public demand for action against those that break the rules. Besides media attention, the public demand is strengthened when there are effective consumer protection organizations.

Establishing and maintaining efficient mechanisms for supervision and coordination with consumers on one side and market intermediaries on the other side is paramount.

NEW DIMENSIONS OF THE CONSUMER PROTECTION

Consumer protection is not achieved only through the work of policy makers: if laws are not to remain simply on paper and with little effectiveness as regards the daily life of ordinary consumers, then legal framework must be accompanied by cultural investments designed to enhance the awareness and activism of citizens in their role as consumers.

Consumers today are challenged by growing amounts of information and wider choices of products. To make good choices in increasingly complex markets, international comunity must develop a greater range of skills and knowledge. This can be greatly facilitated through improved awareness and education

According to OECD publication that consumers require specific skills and knowledge in order to make well-reasoned purchasing decisions, and that governments can play an important role in developing needed skills and knowledge, through education. This is particularly important in a time of economic crisis when consumers more than ever need to

[44] http://www.econsumer.gov/english/about/overview.shtm
[45] England, Danemark, Finland, Sweeden, etc..
[46] Iformation and Comunication Technology

be able to know how to avoid mistakes in the marketplace and confidently navigate both new and traditional markets[47].

The financial crisis is having an adverse impact not only on country's economy and but on the own citizens, that's why clear rules of conduct for financial institutions, combined with improved financial literacy for consumers, will inevitably increase consumer trust in financial markets and will support the development of these markets.

Until the financial crisis of 2007-09, the global economy was adding an estimated 150 million new consumers of financial services each year. Rates of increase have since slowed but growth continues apace. The financial crisis highlighted the importance of financial consumer protection for the long-term stability of the global financial system. At the same time, rapid increases in the use of financial services have pointed to the need for strengthened financial regulation and consumer education to protect and empower consumers. In the absence of strong financial consumer protection, the growth-enhancing benefits of expanded financial inclusion may be lost or severely undermined.

Actually, there are numerous international initiatives and consensus focused on the economic and financial crisis. The World Bank, OECD, MIF, etc. have contributed to the international dialogue on financial consumer protection and mentioned that the slowdown is more severe and recovery will be slower than initially expected.

Also, Consumers International has actively implicated and prepared recommendations for the G20 states, including a call for the development of international standards and guidelines, as well as the creation of a new international organization to share best practice and, where necessary, support the development of standards and guidelines[48]. G20 states leaders noted the need to strengthen the international financial regulatory system: "Far more needs to be done to protect consumers, depositors, and investors against abusive market practices, promote high quality standards, and help ensure the world does not face a crisis of the scope we have seen. We are committed to take action at the national and international level to raise standards together so that our national authorities implement global standards consistently in a way that ensures a level playing field and avoids fragmentation of markets, protectionism, and regulatory arbitrage."

In November 2010[49], the World Bank launched a Global Program on Consumer Protection and Financial Literacy to address comprehensive questions. The objective is to help countries achieve concrete measurable improvements in consumer protection in financial services.

The Global Program focuses on four areas:

- making financial information easy to understand and comparable so that consumers can shop for the best deal;

[47] http://www.oecd.org/document/47/0,3746,en_2649_34267_42279215_1_1_1_1,00.html

[48] Consumers International, Safe, fair and competitive markets in financial services: recommendations for the G20 on the enhancement of consumer protection in financial services, March 201

[49] http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTFINANCIALSECTOR/0,,contentMDK:22761006~pagePK:148956~piPK:216618~theSitePK:282885,00.html

- improving business practices to ensure that abusive and predatory practices are prohibited, and intermediaries are regulated;
- giving consumers a way to get quick and easy redress when their financial institutions have made a mistake;
- helping consumers learn to use financial services with confidence.

The financial crisis highlighted the importance of financial consumer protection for the long-term stability of the global financial system. At the same time, rapid increases in the use of financial services have pointed to the need for strengthened financial regulation and consumer education to protect and empower consumers. In the absence of strong consumer protection policy framework, the growth-enhancing benefits of expanded financial inclusion may be lost or severely undermined.

Financial consumer protection sets clear rules of conduct for financial firms regarding their retail customers. It aims to ensure that consumers: (1) receive information to allow them to make informed decisions, (2) are not subject to unfair or deceptive practices and (3) have access to recourse mechanisms to resolve disputes. Complementary financial literacy initiatives are aimed at giving consumers the knowledge, skills and confidence to understand and evaluate the information they receive, with the objective of empowering them to purchase those financial products and services that best meet their needs and those of their families. Clear rules of conduct for financial institutions, combined with improved financial literacy for consumers, will inevitably increase consumer trust in financial markets and will support the development of these markets[50].

REGULATORY STRUCTURE

The government or regulator tasked with consumer protection will often have to balance the interests and needs of consumers on the one hand and sellers, suppliers or manufactures on the other hand.

The need for a governmental agency with the authority to regulate and cooperate mainly between consumer finance market, consumer protection on the one side and competition policy on the other side is almost universally accepted, and most of all countries after 'financial shock and economic depression' have such agencies. The question of regulatory structure, however, also involves questions of the relationship between the governmental agency, SRO's (Self regulatory organization) and civil society. It also involves the question of whether one agency should take certain consumer regulatory responsibility from other agencies, centralized it in one office and whether it should be the same agency that is in charge of consumer protection. There are certainly no universally accepted answers to these questions. Indeed, virtually every country has adopted its own particular approach to the issue of regulatory structure. This is, to a certain extent, desirable, because each country has its own unique culture and legal system and its own particular needs and problems. It must also be recognized that there are advantages and disadvantages to any regulatory arrangement.

[50] Ibid.

An agency can be too large to be efficient or sufficiently flexible. Or it can be too small to be efficient. Furthermore, the existence of more than one agency can lead to inconsistent or duplicative regulation and uncertainty concerning regulatory jurisdiction. On balance, it may be desirable for nations with emerging consumer finance markets to consolidate regulation in one governmental agency. Certainly, if a country already has an agency which is capable of taking on the task of regulating consumer protection, it would seem appropriate to give it that responsibility rather than creating a new agency. That is, the advantages of having all governmental regulatory authority over consumer protection and finance markets in the existing agency appear to outweigh the costs of this arrangement. On the other hand, if regulatory responsibilities are already handled by more than one agency and the arrangement is working well, there may be good reason not to consolidate the agencies[51].

The question of the appropriate delimitation of regulatory responsibilities between the governmental agency and other competent entities is easier to answer in theory than in practice. There are some substantial benefits from self-regulation. SROs have the ability to impose ethical standards which go beyond those imposed by government. They have incentives to use the most efficient methods of regulation. They have on the one hand consumer and on the other hand business sensitivity to know when a regulation will be workable and finally, is beneficial to market users. They are able to identify and comprehend problems at an early stage and to respond with appropriate solutions. SROs should undertake those regulatory responsibilities which they can perform most efficiently and which they have incentives to perform efficiently. The ability of an SRO to perform well, however, depends on many factors, including the well qualified personnel able to take a responsible decision and enforce adequate solutions.

Considering the perception of the crisis and the consumer's education capacity grows and matures, it will be desirable to have SROs play a larger regulatory role. Thus, the regulatory structure should be flexible and dynamic enough to accommodate such a development.

The concept of self-regulation, however, does not imply that the government authority can or should abdicate responsibility for oversight of the self-regulatory system. Indeed, all those involved in the self-regulatory system should ensure that conflicts of interest between SROs and the other public authorities, as well as other potentially anti-competitive behavior, be avoided and, where they arise, be affirmatively addressed [52].

DISCUSSION AND CONCLUSION

Consumer protection is a hot topic and steps are surely necessary. One lesson from the global crisis is that it's better to take strong steps now than to wait until after the damage has been done. But all policies carry costs as well as benefits. Deciding when, and in what form, to introduce protection measures is the regulator's dilemma today[53].

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[51] On this, see the risk institute on [Legal and Regulatory Framework…] http://riskinstitute.ch/135450.htm
[52] Ibid.
[53] Jonathan Morduch

In light of the above, the national governments play a proactive role is in trying to overcome some problems associated with the global financial crisis. Its intervention is essential to ensure that consumers are not affected adversely by this crisis by subsidizing the essential commodities like food. This would prevent increasing the prices in the future. Controlling the prices would be in favour of the consumers who have lost their jobs, wages and life time savings.

The economic and financial recovery has a few main pillars, and one of them is addressed to stimulate consumer's welfare, demand and confidence, saving hundreds of thousands of jobs and keeping large and small businesses at work while waiting for growth to return. The economic recovery, first of all requires consumer's recovery, which supposed direct and functional actions to consumers through "smart investment". Smart investment means investing in the right skills for tomorrow's needs. In times of hardship, actions must be geared to help those most in need, to work to protect jobs through action on social charges, to immediately address the long-term job prospects of those losing their jobs, through the additional states fund and an accelerated extra social fund, to cut public services costs for the vulnerable through targeted energy efficiency.

The role of consumers is increasing in the modern society, but this empowerment has also led to greater responsibilities for them to manage their own affairs. Even working within governments' financial ability to respond, the best responses should have managed to combine systematic economic and social monitoring of vulnerability with genuine social dialogue on the best way to respond. In financial and economical downturns, a constant communication with the consumers is very important. It is also important to communicate in the right way, in order to be able to convince the customers. When a financial crisis occurs, no matter if the people can feel it physically, in form of less money, or psychically in form of worries about the future, they generally become more money-minded.

Dealing with economic hardship and financial stress effectively may open a door to outcomes that are positive. Economic hardship may result in positive changes such as finding a new job or improving one's ability to manage personal finances[54].

The economic stress is taking a toll on ordinary life, on ordinary consumers, as economic uncertainty (about job security, income, and savings) leads consumers to cut back on purchasing and brands and retailers to cut back on production due to shrinking consumer markets. Many consumers have turned to discounted and lower cost products, which will favour some brands and retailers over others.

The most significant challenge for national governments, international institutions, and civil society remains to find ways of building on the resilience with which families have faced the crisis, providing support that prevents harm and allows them to recover strongly.

In the face of this global challenge, on the one side the international community should enhance policy coordination, strengthen cooperation and make a common response, on other side national governments should put restrictions on businesses that do not work in favour for

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[54] http://www.doylesalewski.ca/personal/en/_documents/financial_distress_DSI.pdf

consumers and take actions to restore responsibility, accountability and transparency to the national and international markets by creating adequate framework

In response to the crisis-related weaknesses in consumer protection, countries have adopted a range of policy measures. These measures include, most notably, efforts to improve regulation and enforcement of financial market transparency. It is appropriate to seek out policies to make sure that the same thing does not happen over again. This crisis is not the last, but if one of its lessons is that reducing vulnerability and building resilience is the central task of development, then future crises may bring less suffering in their wake.

In addition, the longer the economic downturn persists, the degree to which it will erode future livelihood chances and children's cognitive development, depends to a large degree on the level of buffering provided by responsible institutions.

Abbreviations

EU	European Union
ACP	Agency of Consumer Protection
SRO	Self Regulatory Organization
NG	National Governments
RA	Regulatory Authorities
CW	Consumer Watchdogs
FCP	Financial Consumer Protection
ENAP	European Neighborhood Action Plan
AEI Government	Alliance for European Integration Government
CI	Consumers international
MDG	Millennium Development Goals
MSIMSMCO	Main State Inspectorate for Market Surveillance, Metrology and Consumer Protection
OECD	Organisation for Economic Co-operation and Development
PBOC	People's Bank of China
ICPEN	International Consumer Protection and Enforcement Network

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