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Committee on the Internal Market and Consumer Protection

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NOTICE TO MEMBERS

(IMCO/CM/02/2011)

Subject: **Report on the visit of the delegation of the Committee on the Internal Market and Consumer Protection to Budapest (HUNGARY) - 22/24 February 2011**

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United in diversity

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The Internal Market and Consumer Protection (IMCO) Delegation:

- Held an informative meeting in the Ministry of Economy, with particular emphasis on the Single Market Act and Consumer Rights Directive, and in the Hungarian Authority for Consumer Protection, where it also visited the products-testing laboratories
- Had a constructive exchange of views with the Hungarian Minister for European Affairs and representatives of the National Association for Consumer Protection
- Visited the National Assembly and held a public meeting with the Members of its Consumer Protection Committee
- Discussed with the representatives of the National Association of Trade Unions, Hungarian Chamber of Commerce and Industry, and the Confederation of Hungarian Employers and Industrialists
- Visited the European Institute for Innovation and Technology and the EI-Tech Center

IMCO MEP participants: Malcolm Harbour (Chairman - ECR), Andreas Schwab (EPP), António Fernando Correia de Campos (S&D), Anna Maria Corazza Bildt (EPP), Catherine Soullie (EPP)¹.

Tuesday, 22 February 2011

Meeting in the Ministry of Economy

The first meeting of the programme was held with the Minister of State for Strategic Affairs, Mr Zoltán Cséfalvay, and a number of officials from the Ministry of Economy, as well as the Ministry of Foreign Affairs and the Ministry of Justice. A lively debate took place first on the Single Market Act (SMA), where the need to prioritize the proposals that enhance economic growth, to ensure the right balance of business and social issues, and to make the Single Market an opportunity for citizens was mentioned. The IMCO Delegation invited the Minister to attend the plenary debate on the SMA on 6 April 2011 in Strasbourg. Implementation on the Services Directive was then discussed, including the content of the recent Parliament resolution on this topic, the first European Commission's report on the results of mutual evaluation, and a general agreement in the EU Council on how to move forward. Another major subject taken was the Consumer Rights Directive, with the presence of Mr Tamás Czombos, Head of Department responsible for CRD in the Ministry of Justice. Possibility of reaching a first-reading agreement was analysed, in relation to the vote that took place in IMCO, political support for a consolidated text, and the Hungarian Presidency's priorities. Among other issues discussed was the European patents, textile labellings, mutual recognition

¹ Also participated throughout the Delegation: Jan Tymowski and Rachel Kim Grima from the Secretariat of the Committee on the Internal Market, Andrea Lovei and Ákos Madari from the EP Information Office in Budapest, Lina Nordborg (assistant to Ms Corazza Bildt), Solène Meissonnier (assistant to Ms Soullie) and EP interpreters.

of professional qualifications and monitoring of the retail market.

Visit at the Hungarian Authority for Consumer Protection

The second visit on Tuesday was held in the offices of the Authority for Consumer Protection, and consisted of a meeting with its Director General, Mr István Pintér, accompanied by a group of officials, and a guided visit to the Authority's laboratories. Following the presentation of the institutional structure of the consumer protection, as reformed recently by the new government, the possibility of bringing together the good functioning of the internal market and informing consumers was discussed. Mr Pintér explained the present philosophy of the Authority's approach to business (prevention rather than punishment; health of consumers as the 1st priority, information and training on the existing rules) and his Deputy, Ms Krisztina Csákiné dr. Gyuris described the working procedures for dealing with complaints, making investigations, testing food and non-food products, and delivering advice in the legislative process. Introduction of a 'Positive list' (of companies complying with all legal requirements) and 'Consumer-friendly emblem' (for those fulfilling additional criteria) was followed by a written explanation provided after the Delegation and distributed to Members. Other issues raised were customs' controls, IPR, traceability of products, and upcoming legislation on travel packages.

The first day of the visit closed with a dinner hosted by Minister Cséfalvay.

Wednesday, 23 February 2011

Meeting with the National Association for Consumer Protection

In the first of the two meetings that were held in the EP Information Office in Budapest, the IMCO Delegation met with two representatives of the leading Hungarian NGO dealing with consumer protection. Its President, Mr Györgi Morvay, introduced the activities of the Association (cooperating with BEUC) which was also responsible until 2010 for the European Consumer Centre. He also explained the organisation's (different from the government's) position towards the Consumer Rights Directive, including the need for full harmonisation of certain issues, and the problematic of enforcement in the retail sector and varied behaviour of companies' across the EU. Ms Orsolya Tokaji-Naji, the Association's Head of Communications, described their actions in the fields of mediation, class actions and special informative campaigns. Other topics discussed included the alternative dispute resolution (ADR), especially in relation to e-commerce, the government's initiatives and institutional reforms, trust-mark systems in place as well as travel services.

Meeting with the National Association of Trade Unions

The subsequent meeting in the in the House of Europe was with the representatives of the private-business workers' unions. The Association's President, Mr Péter Pataky, highlighted the low rate of employment in Hungary, related to low qualifications, and the importance of vocational training. The interdependence of national economies and the European Single

Market was discussed in the view of mostly Hungarian-owned small and medium enterprises (SME). Mr József Sáling, President of the Commerce Workers Union, added the consumer-protection aspect to the debate on vocational training, and explained the consumer-behaviour patterns in Hungary after 1989. The need for further campaigns to inform consumers and for strengthening the role of NGOs was complemented with the appreciation of regular contacts with the Hungarian Authority for Consumer Protection. The third speaker, Mr Károly György (the Association's International Secretary) drew attention to the full opening of the EU labour market on 1 May 2011 and the principles of smart regulation. In addition, the up-coming INI Report on the retail market, environmental preoccupations, the Small Business Act, and social aspects of the Single Market Act were discussed.

Working lunch with the Minister for European Affairs

At mid-day on Wednesday, IMCO Members had a working lunch with the ex-MEP, Ms Enikő Györi, now the Hungarian Minister for European Affairs and her members of her cabinet. Priorities of the Hungarian Presidency (incl. the mutual recognition and the Services Directive), relation with the European External Action Service and Innovation Agenda were among the issues discussed. Members of the Delegation and hosts also exchanged their views on the links between the proposed governance structure for the euro-area and the Single Market, and on the cooperation between the European Parliament and the Council of Ministers. Possible procedure for further work on the Consumer Rights Directive was presented by the IMCO Chairman.

Debate in the National Assembly

The meeting that took place in a historical hall inside the House of the Nation was in fact a public meeting of the Hungarian parliament's Consumer Protection Committee, attended by a number of its Members under the Chairmanship of Mr Gábor Simon, and in the presence of media and civic society representatives. After being welcomed, Malcolm Harbour introduced the IMCO Delegation, underlined the appreciation of the dialogue and cooperation between the European and the national parliaments, and briefly outlined the areas of interest of the Committee on the Internal Market and Consumer Protection, with special attention given to the Single Market Act. Members of the National Assembly raised issues related to the competitiveness of Hungarian companies in Europe, sustainable consumption, advertisements addressed to children, food safety and protection of national products. IMCO Members also referred to the EU border controls, ideas for a carbon inclusion mechanism, crisis related obstacles to trade and the need for consumers to be confident and well-informed about laws applied throughout Europe. Following another exchange of views inter alia on the Consumer Rights Directive, implementation of the existing legislation in the area of internal market, and employment standards, a possibility was given to the journalists to ask additional questions.

Meeting at the Hungarian Chamber of Commerce and Industry

Very near to the National Assembly, the Delegation then met with the Chamber's Vice-President, Mr Jenő Radetzky and Ms Mária Stark, its Director for International Relations. The 2020 strategy, possibilities for strengthening relations between industry and consumers via mediation, increasing employment and cross-border activity were among the topics discussed.

The HCCI is well-informed of the dealings in IMCO thanks to the establishment of an office in Brussels, but also expects a change in the Hungarian law that will allow it to participate more in the regulatory process. In view of the Single Market Act, the Chamber representatives underlined the importance of the Services Directive for the free flow of qualified labor. They also responded to IMCO Members' questions on the crisis tax and independence of the National Bank.

Visit to the HQs of the European Institute for Innovation and Technology (EIT)

The Delegation was greeted by Acting Director - Mr Ronald De Bruin, Mr Tim Mertens – Acting Head of Strategy and Communication Unit, and Ms Mathea Fammels – Senior Strategy Officer. IMCO Members asked for an up-date of the development of the Institute's projects, their effectiveness and relations with the SMEs. Mr De Bruin stressed the EIT key drivers for businesses (entrepreneurship) and students (education), and briefly described the three existing KICs (in climate, energy and ICT) and possible further areas of research when EIT will move from being a grant giver to an engaged investor in the projects. Further discussion dealt with the obstacles to companies in applying to the available grants, possibilities of bringing the public markets into play, and the funding perspectives for KICs. The visit ended with a tour of the EIT premises.

Thursday, 24 February 2011

Meeting with the Confederation of Hungarian Employers and Industrialists

On the third day of the visit to Budapest, the Delegation met with the business representatives and asked for their opinion on the state of Hungarian economy. Mr Ákos Niklai, Vice-President of the Confederation, described the difficulty of balancing the national budget when the unemployment is high but while the growth of many companies (including SMEs) is actually encouraging. Another speaker, Mr Gábor Kelemen, commented largely on the taxation issues. An exchange of views followed on the Consumer Rights Directive, esp. with regard to the requested exemption of hotels and restaurants. Mr János Takács, also Vice-President, made additional comments about the potential obligatory increase of salaries in private companies and its negative consequences for the transparency of the economic activities. Other topics raised were: reducing administrative burdens, growth-creating manufacturing and opportunities in education.

Visit to the EL-TECH Center

The last point of the programme was a visit to the El-Tech Center, which is a Hungarian company founded in 2008 and offers highly-sophisticated electronic infrastructure for rent. Mr Janos Solymosi, Director in BHE Bonn - one of the Center's founding companies, made a presentation of its aims and structure, as well as the environmental characteristics of the buildings, and then led the Delegation for an extensive tour of the Center's laboratories.

The Delegation ended at noon, with individual departures from Budapest during the day.

Photos of the IMCO Delegation visit to Hungary



**Visit to the Ministry for National Economy
Meeting with Mr Zoltán Cséfalvay, State Minister**



Visit to the Hungarian Authority for Consumer Protection



Visit to the Hungarian National Assembly



Meeting at the Hungarian Chamber of Commerce and Industry (HCCI)

Annex I



Internal market as a guarantee of prosperity

[Consumer protection issues](#) - 24 March 2011, 11:33 – by: Dezső Kóhalmi

The Hungarian Parliament's Consumer Protection Committee received a delegation from the European Parliament's Committee on the Internal Market and Consumer Protection at a joint session held in the Hungarian Parliament's Delegation Room on 23 February 2011. The discussions, which lasted several hours, raised a large number of issues, some (but not all) of which are outlined below for our readers along with a selection of interesting details.

Gábor Simon, chair of the Consumer Protection Committee, welcomed all the guests and introduced Róbert Zsigó and Zsolt Szabó, the committee's vice-chairs. He stressed that the governing party and opposition members of the permanent Parliamentary Committee represented consumer protection as a specialist issue within the framework of professional cooperation. They continuously tracked EU legal harmonisation and were informed about related matters of the Hungarian Presidency concerning consumer protection.

Members of the Hungarian committee broached a wide variety of subjects at the conference. They talked about matters such as enhancing consumer rights, providing consumers with appropriate information, and supporting this process. They set out their view that the authority should not simply punish small and medium-sized enterprises and market players. They mentioned the positive list being compiled at the Hungarian Authority for Consumer Protection with which they intended to highlight examples of appropriate consumer protection behaviour in the private sector. They raised the issue of market protection of products manufactured and produced in Hungary from national raw materials.

Malcolm Harbour (UK), chair of the European Parliament's Committee on the Internal Market and Consumer Protection, pointed out that the two areas – related to the single market and consumer protection – had only been merged into one specialist committee in 2004. He said that it was important to deal with the functioning of the single market and with the importance of the role of consumers within this single internal market and that it was absolutely essential for consumers to be protected, safeguarded and informed, allowing them to actually take advantage of the benefits and opportunities of the internal market.

He said that they did a lot of work with consumer organisations, held regular meetings with such organisations and cooperated with the representatives of a variety of different companies. SMEs were subject to special treatment because it was believed they might not be getting their fair share from the single market. They sometimes felt intimidated by the laborious procedures that faced them.

With regard to the Consumer Rights Directive, there was close cooperation with the Hungarian Presidency. The harmonisation of laws and legal regulations was very important, but only in a way that facilitated cross-border transactions. With regard to unfair consumer contractual conditions, it was likely that some success would also be achieved in this area in the field of harmonisation.

There was also the matter of safe products, with guarantees and warranties also constituting crucial issues. This varied greatly in each different country, including Hungary. Malcolm Harbour very much hoped that there would be progress in this area with similar stipulations or concessions.

Most members of the Hungarian parliamentary committee were interested in the opportunities for EU or internal regulation against cheap products flooding the country. István Boldog phrased this most succinctly. He believed there was a problem not only with cheap food throughout Europe, but with cheap goods in general, cheap goods which came from the Far East, for example, and suppressed Hungary's own internal market – valuable goods which Hungary too could produce. The country could also protect and support its own industry and jobs.

Zsolt Szabó spoke about the fact that food safety was very important to Hungarians. When low-quality, cheap products entered the country, the argument was often heard that controlling them – at any price and in any sector – by means of legal regulations would damage free market competition. Hungary was an agricultural country, and Hungarians were very proud of their agricultural products and wanted to strengthen this sector – and this meant quality agricultural produce. The question was therefore what could be done with regard to free market competition, and how Hungary could protect its own markets.

Malcolm Harbour (UK), chair of the European Parliament's Committee on the Internal Market and Consumer Protection, expressed the view that these questions shed light on why it was important to hold such dialogue. The aim was to guarantee that Hungarian producers and manufacturers of high-quality products – whether food, wine or other products – were able to sell these products throughout the European Union, in the 27 Member States, and have access to 500 million consumers because they made very interesting, top-quality products. This was what the single market was about – not protective clauses. Looking at the extent to which Hungary was capable of generating quality products in many sectors, it was clear to see, for example, that Hungary played a very important role in the car industry, which had great potential.

Malcolm Harbour called for caution and warned against saying that European industry was suffering. Someone said low-quality products come from abroad. The essential point about international trade was that products should be safe. Safety provisions had to be observed and observance enforced, and the consumer could decide later on whether or not the quality of the product was appropriate. The stylish dress Ms Corazza Bildt was wearing had been made in China, but nobody would say it was a low- or poor-quality product. It was therefore important to be very careful when making judgments about quality.

For instance, there were many good examples in the food industry where high- or top-quality, authentic agricultural products appearing on the market with different tastes clearly created added value. It was very important to allow manufacturers of these products to actually take their share of the internal market through appropriate marketing strategies.

On the same subject, António Fernando Correia de Campos (Portugal) commented that Europe had some tools at its disposal here. These included quality protection in order to prevent the import of poor-quality products from third countries, for example. The pharmaceutical industry also had such tools. The pharmaceutical sector was one of the most critical in this respect. Naturally, national pharmaceutical authorities should decide whether or not to accept generic products – it was another matter altogether whether or not every raw material was examined, but this was subject to national jurisdiction. Another example here was the control of external borders, which was also very different in the case of products from third countries. When visiting European ports, it could be seen that practices were different everywhere, with some ports having very strict rules and others being slightly more accommodating.

Anna Maria Corazza Bildt (Sweden) also expressed her views on this subject. Although she was a Swedish MEP, she did not speak on behalf of Sweden. Whatever MEPs did, they represented 500 million people, 500 million consumers, their health and prosperity – this was her mission in the European Parliament. She was loyal to those who had elected her. She worried when she saw and heard that people did not intend to liberalise the internal market, but that an increasing number of people wanted to restrict it because of the financial crisis. This would mean fewer opportunities for growth and job creation. She acknowledged that people were right to be afraid, but this was a matter that should be considered together, and people should be very careful when talking about the best way of emerging from the crisis. Anna Maria Corazza Bildt believed that commerce should be given a whole host of opportunities. The internal market package was very important, and she supported full harmonisation. She admitted that the level of harmonisation could be discussed, but she felt that it was very important to say that she really believed in the power of the internal market. This – not protectionist measures – would enable us to emerge from the crisis.

Anna Maria Corazza Bildt felt that it would be very good to encourage people to take advantage of the single internal market at European level, which also implied the opportunity to send a product back or make complaints at European level, and if the product came from another country, people ought to be aware of the channels for making complaints, and any guarantees. In other words, it was very important to supplement Member States' own consumer protection mechanisms with European mechanisms, and the internal market would function better as a result.

Malcolm Harbour (UK), chair of the European Parliament's Committee on the Internal Market and Consumer Protection, ended the discussion by responding to a few questions. He said that imports from third countries clearly had to comply with the same safety regulations as products within the European Union. As far as food was concerned, if the European Food Safety Authority noticed a dangerous product which did not comply with European safety provisions, that third-country product would be banned throughout the territory of the EU. There had been many recent examples of this.

With regard to quality standards, if someone bought a more expensive product because it was organic, a bio-product, or an authentic product, or if they perhaps bought an Audi made in Hungary rather than a cheaper product made elsewhere, this was a decision based on quality. However, it needed to be made clear that products had to be guaranteed safe for consumers, and of course it was very important that anyone who fell ill after consuming food should have the right to apply for legal redress and compensation. It was very important for manufacturers to make safe products, hence the intention to reform the Product Safety Directive.

As a closing thought, he summed up by going back to his introduction, emphasising his committee's passion and enthusiastic support for the single market in terms of hoping that the single market – the internal market – would someday bring everyone real prosperity and success, that there would be more competition and greater choice, and that new products would reach EU markets. This was the aim, for companies of all sizes. In particular, SMEs should be armed or

protected accordingly. With the support of the Hungarian Parliament's Consumer Protection Committee, Malcolm Harbour hoped that his committee would do everything possible to achieve that goal in future.

Gábor Simon, chair of the Consumer Protection Committee, closed the conference by expressing thanks for the joint work, adding that his committee wanted to continue the consultation with the European Parliament's Committee on the Internal Market and Consumer Protection and intended to take part in consultations in Brussels in April-May.

Malcolm Harbour's statement to A KONTROLL.

Upon completion of the discussions, our journalist put some questions to the chair of the European Parliament's Committee on the Internal Market and Consumer Protection.

- What is the role of nongovernmental consumer protection organisations in the European Union, and how does the EU support these organisations? I would also be interested in hearing a few thoughts on the importance and means of communication.

Malcolm Harbour (UK), chair of the European Parliament's Committee on the Internal Market and Consumer Protection:

- I believe it is clear that consumer protection organisations have an important role in developing policies in every respect. The European Commission regularly consults with such organisations, and a Consumer Protection Consultation Committee has been set up with members of various consumer protection organisations in the Member States. I am sometimes invited to attend on behalf of the specialist committee and am therefore able to have discussions with them.

- With regard to whether we provide support to consumer protection organisations, the European Commission has a separate budget, and our committee keeps an eye on these budgetary sums. If the European Commission contributes to the operation of consumer protection associations and organisations, this constitutes a very good investment. Such support should be provided to new EU Member States in particular, since a large number of new Member States do not have the same kind of tradition – a tradition of consumer protection organisations – as the older Member States.

- For example, funding to set up offices and develop programmes, websites and information materials aimed at young people is very important, and we are seeing an increasing number of pan-European consumer protection organisations. This means that the Commission is cooperating with Member States' authorities for consumer protection.

- We met the Hungarian Authority for Consumer Protection the day before yesterday. They collect data on consumer protection and consumer problems from across Europe. The best example was the survey related to travel websites and flight ticket prices. There are very many contradictions and paradoxes, and a lot of differences between prices. A declaration was made before Christmas, summarising these results. And then it was revealed that there were a lot of problems with e-commerce, and only 40% of transactions were actually realised. In other words, only 40% of all attempts were successful.

More photos accompanying the article: <http://www.akontroll.hu/bel1.php?ssz=678>

Annex II

EU Presidency - Consumer protection has a key role on the Internal Market

'It is in our common interest for Europe to increase its competitiveness, which can be achieved by creating a strong internal market in which consumer protection and the harmonisation of consumer protection regulations play a key role', emphasised Gábor Simon, chair of the Hungarian Parliament's Consumer Protection Committee, to Hungarian news agency MTI on Wednesday, following a joint session held with the European Parliament's Committee on the Internal Market and Consumer Protection.

Budapest, 23 February 2011, Wednesday (MTI)

At their meeting in Budapest on Wednesday, the two committees discussed consumer protection issues, which were being treated as a priority during the Hungarian EU Presidency. Gábor Simon pointed out that the Consumer Protection Committee wanted to promote a successful Hungarian EU Presidency. It supported the establishment of a first-reading agreement on the EU Consumer Rights Directive because this was important to strengthen the internal market and for high-level consumer protection, as the chair of the committee had underlined.

Gábor Simon stated that the original idea had been an attempt at full harmonisation of the directive in respect of implementing legal regulations, but this had now changed to targeted harmonisation, and declared that there should be full harmonisation for certain provisions, while the national legal regulation should be retained in other areas. This could be an acceptable compromise for the Member States.

Gábor Simon reported, as chair of the Consumer Protection Committee, that he had referred in his comments – during the Hungarian public hearing in the European Economic and Social Council on Monday – to the importance of creating greater legal harmonisation in consumer protection, as required in order to strengthen the internal market and develop cross-border transactions.

The committee chair pointed out that an independent parliamentary committee had been formed for consumer protection in Hungary in May 2010, which was building up international contacts, the first stage of which was the joint session of the two specialist committees.

He revealed that an agreement had been reached with Malcolm Harbour, chair of the European Parliament's Committee on the Internal Market and Consumer Protection, on holding consumer protection consultations in Brussels in the course of April, May and June that year, combined with discussions with other EU leaders.

At the joint session in Budapest, members of the Consumer Protection Committee highlighted the importance of food safety, and drew attention to the fact that European producers were at a disadvantage compared with the producers of goods and products from third countries because the latter were not governed by strict European regulations.

At the joint session, MEPs provided information on their work. Malcolm Harbour, chair of the European Parliament's Committee on the Internal Market and Consumer Protection, pointed out that they were working to enable consumers to exploit the benefits of the

European internal market.