

OECD CONFERENCE ON CORPORATE RESPONSIBILITY
OPENING SESSION-KEYNOTE REMARKS OF
COMMISSIONER NANCY NORD
U.S. CONSUMER PRODUCT SAFETY COMMISSION
PARIS – JUNE 15, 2009

Thanks very much for that kind introduction. It is a pleasure and an honor to open this important conference with such illustrious colleagues as Commissioner Kuneva and Mr. Ochieng.

We gather here today for a very important reason: to find ways we, together, can advance consumer safety. Today's conference theme "Consumer Empowerment and Responsible Business Conduct", highlights two important goals that go hand-in-hand, as well they should. Throughout the day, these goals will be part of our conversations, as we focus on major policies including human rights, labor relations, environment, anti-corruption, ethical production, and sustainability. My emphasis, of course, is product safety and this morning I would like to focus on one very critical aspect of product safety: supply chain management. Chapter VII of the OECD Guidelines recommends "enterprises...should take all reasonable steps to ensure the safety and quality of the goods or services they provide". In short, an essential element to responsible business conduct towards consumers is: make it right, make it safe.

Does 'corporate responsibility' mean the same thing around the world? It should. In an international economy, businesses that serve consumers in a given market should ensure that their suppliers, wherever they are located, can and will meet regulatory requirements and best practices. This was

easier, perhaps, when suppliers and businesses were located within the same borders. But now, as the OECD Guidelines point out, “strategic alliances and closer relations with suppliers and contractors tend to blur the boundaries of the enterprise.” Indeed, 21st century consumers everywhere find themselves using products imported from everywhere. Boundaries no longer have any meaning as far as consumer expectations are concerned. Sound corporate practices, then, protect the consumer, regardless of where the consumer is, regardless of where the product was made.

Government regulators today, working within the constructs and in some cases limitations of our various laws, are challenged since manufacturers are often located beyond our jurisdictions. Waiting at the port to simply ‘catch the goods’ as they enter is a daunting task for any government given the sheer number of imported goods and locations involved. And this approach is not productive. It creates wrong incentives. None of us want corporations to put energy into gaming the rules; rather, we want them to put resources into improving product safety in the first place, -- where and how the goods are made.

Since so many of our imported consumer products originate in China, I suggested last year to my good friend, Commissioner Kuvená, that the US and the EU should initiate a joint effort with our common supplier and begin a series of meetings and outreach in China. Our goal: to educate, inform and increase awareness among Chinese officials and manufacturers that we are serious about our safety regulations and that we are earnest in our effort to help them meet consumer safety requirements in their production lines.

Effectively, we want to move the focus of consumer safety back up to the initial links in the supply chain.

We held seminars for manufacturers and had meetings with government officials in Beijing, Guanzhou and Shanghai. We continued our trilateral dialogue when Commissioner Kuneva hosted us last fall in Brussels. And this effort at increasing corporate responsibility needs to continue. It is significant that the Chinese government has recently acknowledged that certain children's products need more stringent production monitoring to avoid product safety failures. I believe that this openness demonstrates the Chinese government's willingness to confront the challenge of improving manufacturing practices and product safety compliance and that step should be applauded. It truly is now a three-way conversation: China acknowledging the issue, and the US and the EU working with them to solve it.

An example of how a U.S. organization is approaching corporate responsibility in this area of supply chain improvement is the Toy Industry Association's proposed Toy Safety Certification Program (TSCP). In brief, TSCP requires, at a toy's initial design phase, that a design analysis be done to identify and address any potential safety issues. In addition, facilities that demonstrate their ability to consistently produce safe toys through a process control evaluation would qualify for reduced testing requirements. A certification body would then determine if an applicant's toy meets program requirements and, if so, the product is certified to TSCP. The critical elements of an ideal program are 1) safety design analysis, 2) factory audits, and 3) testing as the product is being made and randomly in the marketplace.

The TSCP program and others like it are excellent initiatives which, as they are implemented, will presumably meet and further, in concrete ways, many of the aspirational goals we are discussing here today. Consumers should expect programs like these to deliver safety assurance protocols that reflect best practices in design analysis and factory process controls. I am hopeful that these efforts will result in viable industry compliance program. And I remind industry, as you design these programs, that it is far more effective to include consumer advocate groups in the formulation process.

In approaching corporate responsibility, our work can be made easier if organized around some crosscutting principles, one of those being the concept of standards harmonization. You do not have to be in the consumer products business very long before you learn that there is much about product standards that are not standardized. Over the past two years, a great deal has been said about toy standards. The key to toy safety is compliance with toy safety standards through best practices in design and manufacturing – whether the standards are government regulations or industry driven. I believe that regulators have an obligation to consumers to ensure that the products in their jurisdictions are made to the best possible product safety standards. But I also believe that to the extent requirements among jurisdictions can be harmonized with no compromise to safety – certainly going forward – but even possibly amending existing requirements – consumers are better served. I say this because we have often heard from manufacturers that divergent product safety requirements in the world's major markets have been contributing factors when mistakes have been made at the production end. Where any confusion can be eliminated and a high level of product safety assured, we should examine such opportunities

carefully.

Here is a good example: The International Council of Toy Industries (ICTI), representing the national toy associations in 22 countries, is looking at ‘de-conflicting’ existing technical regulations for toys in various national and regional jurisdictions. In cooperation with other stakeholders, including consumer groups, ICTI is examining where it might recommend adjustments in various reference standards. This is important work and it should be encouraged. ICTI has agreed that there would be simultaneous top-down and bottom-up approaches to work on both the political and the procedural aspects of harmonization. To be clear, industry will need to take the lead. The key is in the global standards and whether the focus is on existing text or on new standards to be created, industry will have to have a robust and coherent approach that provides safety to consumers and which governments can endorse in good conscience since such convergence of standards requires the backing of product safety government agencies worldwide. Regulators, industry, and especially consumers stand to benefit when regulations and voluntary standards are better aligned. We have an historic opportunity before us to make progress on toy standards harmonization, and for that reason, I am very pleased that our recent tri-lateral statement for the EU, China and the US highlighted the need for work in this area.

The OECD guidelines note how joint efforts can achieve product safety: “governments are cooperating with each other and with other actors to strengthen the international legal and policy framework in which business is conducted”. For example, CPSC is working with the Committee on Consumer Policy to improve the areas of information sharing among

regulators and with other stakeholders. We are convinced that much of the product safety information now available to the public could be better organized and disseminated to the benefit of consumers and regulators in all countries. Moreover, information about emerging hazards in one market can often be useful in other markets and we are eager to find workable mechanisms for the early and appropriate sharing of important information of this kind.

My closing thought is: we have reason for optimism. Periodic taking of stock like we are today about issues surrounding consumer policy and the role of industry helps to better define problems and energize better solutions. We have workable frameworks like the OECD through which our organizations, corporations, government agencies, and consumers can work together so that stakeholders can fulfill their roles fully and responsibly. At the end of the day, we all want safe products because we all are consumers.