

Testimony of FTC Commissioner Mozelle W. Thompson

**Before the Subcommittee on Competition, Foreign Commerce, and Infrastructure
of the
Committee on Commerce, Science and Transportation
United States Senate**

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Good afternoon Mr. Chairman and members of the Committee, and thank you for the opportunity to appear before you and to offer testimony in support of the FTC's reauthorization. Last year, when I appeared before the Committee, I discussed the FTC's work in the area of international consumer protection. I noted at that time that improvements in communication and technology have created a global marketplace in which American consumers and American businesses play an important and active role. I also noted that these same improvements left American consumers open to new types of harm and that these cases were growing at an exponential rate.

Today, I would like to talk about one of the most significant consumer protection problems in the last several years - the globalization of fraud and deception - and the FTC's response. Because not only has the consumer marketplace become global, so have the purveyors of fraud and deception. (Exhibit 1). The same technological tools that have expanded markets across international boundaries have also allowed fraudsters to act more quickly and efficiently - and to extend their reach beyond their domestic markets. The FTC needs new tools to effectively combat cross border fraud and deception, and we ask you for them today.

There was a time when the biggest challenge to American consumers was whether they wanted to do business with a mail order company on the other side of the country. Most of our consumer protection laws are based on what we knew then, and they have served us well. Today, however, America represents the largest and richest consumer marketplace in the world. Improved technologies have opened world markets to American consumers and vice versa. So, it is not surprising that American consumers are bombard

deception and sometimes even hinder our ability to engage in strong enforcement activity against those who use international borders to the detriment of consumers.

The growth of cross-border consumer fraud demonstrates the pressing need for new tools to protect consumers. Our statistics show a sharp increase in the number of cross-border complaints from American consumers about foreign companies, from 7,609 in calendar year 1998 to 24,213 in calendar year 2002. (Exhibit 3). In fact, from 2001 to 2002, the number of complaints almost doubled. Even at our recent Spam Forum, participants noted that unsolicited e-mail increasingly crosses borders to subject consumers to fraudulent and deceptive offers.

The legislative proposal that we have presented to you is intended to address some of these problems and improve the FTC's ability to protect consumers