

JAPAN

Annual Report on Consumer Policy Developments 2000

BUDGETS FOR CONSUMER-RELATED POLICIES

The budgets for consumer policy for the fiscal years 1999 and 2000 are shown in Table 1.

Table 1-- Japan: Outline of Central Government budget for consumer policy (Unit: 1,000 yen)

Item	Fiscal 1999	Fiscal 2000
Prevention of injury	8,130,306	9,676,470
Accurate weight measurement	1,935	1,935
Standardization	1,224,629	1,472,098
Proper labeling	493,890	781,508
Securing of fair competition	580,448	626,150
Proper and fair contract terms	236,370	434,743
Consumer education	3,628,250	2,854,915
Reflection of consumer opinions	259,417	277,876
Improvement of test and inspection facilities	176,558	121,797
Improvement of complaint handling system	1,019,047	752,109
Organizing of consumers	96,027	95,598
Other	7,196,673	12,142,757
The National Consumer Affairs Center of Japan (NCAC)	(2,699,869)	(2,737,652)
Promotion of consumer policies at local level	(383,876)	(353,770)
TOTAL	23,043,550	29,237,956

PHYSICAL PROTECTION (PRODUCT SAFETY)

Product Liability

The Product Liability Act came into force on July 1, 1995. Various measures are being currently promoted, including improvement of an alternative dispute resolution system, preparation of a cause investigation system, strengthening of the gathering and providing of information related to product accidents, and improvement of product safety education to make effective the protection and relief from consumer injury and harm.

Food Products

To ensure food safety, the following regulations exist in accordance with the Food Sanitation Law: 1) the control of selling and manufacturing of food products and food additives, 2) the establishment of standards, specifications, and labeling requirements for these products, and 3) the control of facilities, such as restaurants. Inspections are conducted

and the observation measures necessary for these regulations are taken.

To ensure the safe production of farm products, forestry products, stock farm products, and marine products, agricultural chemicals and feed are regulated.

The government of Japan has implemented the following measures to prevent food-borne diseases: 1) the offer of information of precautionary measure via the Internet and government official reports, 2) the implementation of sanitation control of food business facilities, 3) the production and spread of manuals on hygienic management in mass catering facilities and on prevention of food poisoning for families.

In accordance with the Food Sanitation Law, the Ministry of Health, Labor and Welfare (MHLW), formerly known as the Ministry of Health and Welfare (MHW), sets maximum residue limits for agricultural chemicals in agricultural products. The maximum residue limits for 214 agricultural chemicals have been set for approximately 130 agricultural products (March 2001). The Agricultural Chemicals Regulation Law sets standards for withholding registration on crops for 356 (September 2000) agricultural chemicals. The Agricultural Chemicals Regulation Law also sets direction for safe use of agricultural chemical on residue of 176 (December 2000) of the agricultural chemicals whose maximum residue limits are fixed by the Food Sanitation Law and registered in Japan.

MHLW prudently and adequately examines the safety assessment of foods and food additives produced by recombinant DNA techniques conducted by developers based on the “Standards for Safety Assessment of Foods and Food Additives Produced by Recombinant DNA Techniques”.

MHLW implements research on food allergies and the development of foods exempted from allergens.

To promote the effective measure of dioxins, an introduction of laboratory programs including training courses, and research programs on the effects on human health, exposure assessment from food have been doing.

Pharmaceutical Products

To ensure the quality, efficacy, and safety of drugs, quasi-drugs, cosmetics, and medical instruments, manufacturing (imports) and selling are regulated by the Pharmaceutical Affairs Law.

Manufacturing and import of drugs are approved after rigid examination for efficacy and safety. Basically, six years after the approval of a new drug, the efficacy and safety of the drug are re-examined and then re-evaluated every five years.

For drugs, MHLW has established GMP (Good Manufacturing Practice) regulation to assure the quality of the products.

MHLW makes efforts to collect adverse drug reaction reports from many sources and systems, such as: 1) an adverse reaction reporting system, 2) reports from drug manufacturers, and 3) WHO International Drug Monitoring Program, and makes the reports available to medical personnel after evaluation.

In June 1994, provisions related to medical devices in the Pharmaceutical Affairs Law were amended to enhance post-marketing measures, to promote appropriate use, and to establish the GMP regulation. The amended provisions came into force on July 1, 1995.

Consumer Products

The Consumer Product Safety Law, which implements safety measures for consumer products, regulates manufacturers and sales companies to prevent the distribution of hazardous products with the mandatory PSC-mark system. And the Consumer Product Safety Association manages the SG-mark voluntary system which combines the confirmation of the conformity to their standards and the insurance measures awarded for the damage, and which promotes private-sector voluntary efforts to ensure and improve product safety. The number of specified products by the SG-mark system was 122 as of March 2001.

The Consumer Product Safety Law was amended in August 1999. The amendment included abandonment of governmental certification and introduction of third-party certification and other reviews. It entered into force in October 2000.

Recall Systems

In Japan, five product safety laws provide for obligatory recall on the orders of the relevant ministers: the Consumer Products Safety Law, Electrical Appliance and Material Safety Law, Gas Utility Industry Law, Law Concerning the Securing of Safety and Optimization of Transaction of Liquefied Petroleum Gas and the Law for the Control of Household Products Containing Harmful Substances. Two recalls have been ordered under the Consumer Products Safety Law. Voluntary recalls, moreover, have been implemented by both manufacturers and distributors.

The Ministry of Land, Infrastructure and Transport (MLIT), formerly known as the Ministry of Transport (MOT), in accordance with the Road Vehicle Act, sets technical standards both to ensure the safety of road vehicles and to protect the environment. Moreover, as for the recall system for road vehicles introduced in 1969, new requirements were stipulated under the revised Road Vehicle Act. That is, that motor vehicle manufacturers, etc. are obliged to give prior notice to MLIT. MLIT can urge them to implement recalls if necessary, and if no corrective actions are taken, penalties pursuant to the Law are imposed on the violator. This new recall system helps to promote greater safety and environmental protection by preventing accidents and other situations.

PROTECTION OF CONSUMER ECONOMIC INTEREST

The Consumer Contract Act

Passed on April 28, 2000, the Consumer Contract Act was enforced from April 1, 2001. In order to solve troubles concerning the contracts between consumers and businesses, the Act enables consumers to avoid their declarations of intention to offer or accept contracts when they are mistaken about the contents of the said contracts or distressed by certain acts of businesses, and nullifies, in part or in whole, clauses that unfairly impair the interests of consumers.

Cabinet Office implemented the promotion to use it and education to understand it through various media since May 2000 in order to prevent and rescue the consumers' damage. In addition with promotions and education, they may collect and make public the typical cases.

Door-to-door and Other Sales etc.

With regard to door-to-door sales, mail order sales, telephone-solicited sales "continuous services" businesses and chain sales transactions, the Ministry of Economy, Trade and Industry (METI), formerly known as the Ministry of International Trade and Industry (MITI), has strictly enforced the Door-to-Door Sales and Other Direct Sales Act. This act was amended in November 2000 to regulate so-called "work-at-home transaction" and establish regulations requiring easy to understand online representation with respect to placing orders and other requests. (This act was re-titled as "The Specific Commercial Transaction Act".) This amendment will come into force in June 2001.

METI, the Japan Fair Trade Commission (JFTC) and MLIT had conducted a Web survey "Internet Surf Days" until February 2000, as part of "Internet Sweep Days" in which 19 countries participated. This survey was conducted, in particular, to increase awareness and compliance with related legislation such as Door-to-Door Sales and Other Direct Sales Act, Act against Unjustifiable Premiums and Misleading Representations and Travel Agency Law, as well as to increase public awareness towards the OECD Guidelines. These three ministries surfed and checked 2,330 and sent warning e-mails to those businesses whose Web sites were insufficient according to relevant legislation, in order to educate them about the requirement of these legislation and advised them to amend their Web sites. These ministries have decided to follow up on these sites.

Financial Transactions

With respect to the protection of information relating to individuals, the Interim Report on Protection and Utilization of Consumer Credit Data was published in July 1999 by the working group jointly organized by the Financial System Council, the Industrial Structure Council, and the Credit Sales Council.

In June 2000, the upper limit on the interest rate of a loan (interest rates over the limit being punishable according to the law concerning the Regulation of Receiving of Capital Subscription, Deposit and Interest on Deposits) was lowered to 29.2 per cent, and the authorities have been maintaining strict control over infringements of interest rate limits.

The amendment of the Law concerning the Regulation of a Loan Service was enforced in June 2000 to require those who engage in a loan business to give a notice in a paper-based document to guarantors every time the debtor makes an additional contract, as well as require them to inform guarantors in a paper-based document regarding the content of contracts in advance to make a guaranty contract.

The Law on Sales of Financial Products was enacted in May 2000 (enforced in April 2001) to introduce measures to protect users of financial services, such as (a) requiring financial service providers to provide customers with certain important information, and (b) liability of financial service providers for any damages caused by their failure to follow such

requirements, as a special case of the Civil Law.

Other

To protect consumers from fraudulent commercial practices, the crackdown has been strengthened throughout the country in settled period every year. Also, educational activities that are effective in preventing consumers from being damaged by such practices take effort.

In March 1997, MITI formulated the Guidelines Concerning the Protection of Computer Processed Personal Data in the Private Sector. METI has provided advice to business organizations concerned including the Japan Consumer Credit Industry Association to establish or revise guidelines for each industry sector based on the notification. In February 1998, MITI formulated its "Explanatory Document for the Guidelines," which was distributed to consumers and businesses.

MITI established the JIS (Japan Industrial Standard) entitled "Requirements for Compliance Program on Personal Information Protection" in March 1999 to standardize the level of protection of personal data in companies.

CONSUMER INFORMATION AND EDUCATION

Labeling

A mandatory quality labeling standards system and a voluntary Japanese Agricultural Standards (JAS) system are being implemented under the Law concerning Standardization and Proper Labeling of Agricultural and Forestry Products (JAS Law). As of March 2001, there were a total of 352 JAS standards.

To help consumers select products, Japan revised the JAS Law in July 1999, with a view to requiring that all items of foods and beverages supplied for general consumers be subject to the quality labeling standards. And also under the revised JAS Law, organically produced agricultural products and their processed foods after inspection and certification by a fair third party are only allowed to be labeled "organic."

Regarding GM food products for which safety has been confirmed, in order to provide product choice to consumers and to protect their interests, the Ministry of Agriculture, Forestry, and Fisheries (MAFF) sets a new labeling standard and has applied it since April 1, 2001 under the JAS Law. MHLW also introduced obligation to have labeling from the viewpoint of public health on the same day.

The Industrial Standardization Law aims to improve the quality of mineral and industrial products, to raise production efficiency, and to ensure fair and simplified trade through the establishment of common standards that unify form, dimension, and quality, and methods of manufacturing, using, testing, and inspecting. To achieve these aims, Japan Industrial Standards (JIS) have been established and the JIS-marking system is being conducted based on this law. As of March 1999, approximately 190 consumer goods are covered by the JIS-marking system; products that conform to the JIS standards can bear the JIS-mark.

The Household Goods Quality Labeling Law regulates the labeling of the quality of household goods. The labeling helps consumers in choosing goods and using them. The law

aims to protect consumers by fair labeling. The regulated goods are designated in consideration of consumers' difficulties and the necessity of knowing the quality of the goods. As of March 2001, 90 goods have been designated.

The "Online Trust Mark" system, which indicate the reliability of the companies' websites, was started by The Japan Direct Marketing Association and The Japan Chamber of Commerce and Industry in June 2000.

The "Privacy Marks Award System," in which companies adequately handling personal data based on the METI guidelines, has been granted the right to use the "Privacy Marks," and was started by the Japan Information Processing Development Center in April 1998. This system helps consumers to easily distinguish the companies' level of protection of personal data.

Under the Housing Quality Assurance Act, which was enacted on the April 1, 2000, all contractors and sellers of new houses are enforced to take 10 years liability for major defects.

In addition, under the law a common criteria for evaluating and indicating the performance of houses was established; evaluating bodies that conducted the evaluation in accordance with the criteria will be designated by MLIT, formerly known as the Ministry of Construction. Alternative dispute resolution system for houses evaluated by these bodies was also established.

Comparative Testing

The National Consumer Affairs Center of Japan (NCAC), formerly known as the Japan Consumer Information Center (JCIC), conducted comparative tests in FY 2000 on 12 products, including Motor-driven Wheelchairs. Results of these tests were published in the Center's publication *Tashikana Me* (Critical Eyes).

The Japan Consumers' Association conducted comparative tests on the quality and performance of 12 products, including liquid crystal color TVs, in FY 2000. It also conducted simple tests on new products. The results were published in *Gekkan Shohisha* (the monthly consumer magazine) and other publications.

Since 1996 MLIT, formerly known as MOT, in cooperation with the National Organization for Automotive Safety and Victims' Aid (OSA), has conducted comparative safety tests for automobiles, including the frontal impact and other tests, and has published both the results of tests and the right use of safety devices as "The Japan New Car Assessment" to automobile users.

Advisory Services

At the central government level, MAFF has 64 offices at its headquarters as well as local branches that handle complaints and consultations; METI has 10 such offices; MLIT, formerly known as MOT, has 11 such offices. MAFF handled 15,682 complaints in FY 1999. In FY 2000, METI handled 9,896 complaints; MLIT, formerly known as MOT, handled 3,665 complaints.

The Ministry of Public Management, Home Affairs, Posts and Telecommunications,

formerly known as the Management and Co-ordination Agency, has provided administrative consultation services nationwide and has made efforts to protect consumer interests in resolving disputes over goods and services.

Consumer centers are operated by local governments for the purpose of handling consumer complaints, educating consumers, and testing products. As of April 1, 2001, there were a total of 455 consumer centers in Japan (169 at the prefectural level and 286 at the municipal level). These centers have contributed to the implementation of consumer policy at the local level.

Other Information Activities

NCAC and the local consumer centers provide information to consumers, with a view to improving quality of life, through various means, including periodicals, exhibitions, lectures, Internet, and the mass media.

METI provides information to consumers on the safety of goods, quality of goods, and services and contract terms through television and pamphlets, so that consumers can make informed choices with regard to goods and consumer services and thus improve their living standards.

In 1988, on the twentieth anniversary of the enactment of the Consumer Protection Fundamental Act, the Japanese government decided to designate May as "Consumer Month." The Cabinet Office (CAO), formerly known as the Economic Planning Agency (EPA), carries out various activities for Consumer Month, using a different theme each year. Activities include the National Conference on Consumer Problems, distribution of posters and handbooks, and publicity activities using newspapers, television, and other media.

As described in The Basic Environmental Plan, the government informs citizens about specific things they can do to protect and improve the environment and gives appropriate advice to the body that operates the environmental label program. In addition, the government promotes green purchasing and implements efforts to increase government purchase of green products and services. Through these policies, the government encourages consumers to incorporate environmental considerations into their purchasing decisions.

Consumer Education

In accordance with the Courses of Study, consumer education has been carried out throughout the elementary, lower secondary, and upper secondary school levels mainly in subjects like social studies and home economics in such ways that are appropriate to children's stages of development. In 1998 and 1999, the Ministry of Education, Culture, Sports, Science and Technology (MEXT), formerly known as the Ministry of Education (MOE), revised the Courses of Study with a view to adapting educational systems and contents to changes in society. As a result, the content of consumer education was improved. The new Courses of Education will be implemented in the year 2002 at the elementary and lower secondary levels and phased in from the year 2003 at the upper secondary level.

Consumer leaders play leading roles in local consumer activities and consumer education; this role has become more important as society has developed. Consequently, prefectures, designated cities, and NCAC have been making efforts to train consumer leaders

by offering instruction and further education.

To promote consumer education, the National Institute on Consumer Education was established in February 1990 under the joint auspices of CAO and MOE. The activities of the Center include research, conducting seminars and symposia, designing instructor manuals and teaching materials, and establishing international and domestic information networks.

REDRESS AND COMPLAINT PROCEDURES

Most consumer complaints regarding goods and services are handled through negotiations between consumers and enterprises, such as shops, selling agencies, and distributors. NCAC and local government consumer information centers handled 684,369 complaints in FY 1999.

The Consumer Product Safety Association gives approval to affix the SG-mark on a product when the product conforms to the standard. When an accident is caused by a defective product bearing the SG-mark, the consumer is entitled to compensation under the remedy system. Thirty cases in FY 1999 received compensation. As of March 2001, 122 kinds of products carry the SG-mark.

RELATIONS BETWEEN CONSUMER POLICY AND OTHER ASPECTS OF GOVERNMENTAL POLICY

Competition Policy

JFTC has been making the best efforts to enforce strictly the Anti-monopoly Act to maintain and promote fair and free competition. When violations of the Anti-monopoly Act occur, JFTC takes legal actions such as recommendation to cease-and-desist illegal activities. In FY 2000 (as of March 2001), 18 legal measures were handed down.

JFTC has taken action, such as cease-and-desist orders and warnings against excessive premium offers or misleading representations pursuant to the Act against Unjustifiable Premiums and Misleading Representations. In FY 2000 (as of March, 2001), cease-and-desist orders related to representations was three. In FY 2000 (as of March 2001), 119 warnings related to premiums were issued; the number related to representations was 201.

The Fair Competition Code, a set of voluntary rules that regulates excessive premiums and false representations in business circles, has been established and operated in the interest of consumers. As of March 2001, 48 codes on premiums and 70 codes on representation have been approved by JFTC.