

Korea

Annual Report on Consumer Policy Developments

2002

I . INSTITUTIONAL DEVELOPMENT

The year 2002 saw some landmark developments in the nation's legal framework for consumer protection policy. These legislative initiatives were designed to secure effective measures for protecting consumer rights in the face of radical changes brought about by the rapid spread of electronic trade (commercial and financial), growing cross-border consumer transactions, and the development of new products and transaction schemes spurred by advances in information and science technology, etc.

A. The Product Liability Act

The Product Liability Act went into full force on July 1, 2002 after a grace period of 2 years and 6 months since its enactment in January 2000. The law is designed to reinforce consumer protection by facilitating consumer redress and making businesses more accountable for the safety of their products. To pave way for the smooth introduction of the act, the various efforts were undertaken as follows ;

- **Policy Briefing Seminars**

A series of policy briefing seminars were held across the nation to provide consumers and businesses with an accurate understanding of the law. The principal participants in the seminars were government officials, representatives of businesses and business associations and staff of consumer organizations.

- **Product Liability (PL) Centers**

Business associations have led to take the initiative in creating PL centers in 14 industrial sectors including electronic goods, automobiles and foods. These centers are responsible for assisting in efficient settlement of consumer disputes associated with product defects by responding to inquiries from consumers and by conducting investigations into alleged product defects.

- **Product Liability Insurance**

A campaign was carried out to encourage businesses to obtain product liability insurance that provides them with financial protection against claims of product liability. As of 2002, 7,271 product liability insurance policies were sold, totaling 21.4 billion won (17 million U.S Dollars) in value.

B. The Act on Consumer Protection in Electronic Commerce

The Act on Consumer Protection in Electronic Commerce went into force on July 1, 2002 as the primary legal regime for regulating electronic commerce. Prior to this law, on-line marketing activities were regulated under the Act on Door-to-door Sales. However, the inadequacy of this law for dealing with the special characteristics of electronic commerce led the government to enact a new law responsible for regulating on-line transactions.

The new law is aimed at establishing a fair transaction order and ensuring effective consumer protection in electronic commerce. For this purpose, it specifies rules to be followed by business operators engaged in electronic transactions and provides for administrative orders and fines to be imposed on violators.

C. The Door-to-door Sales Act

In January 2002, the Act on Door-to-door Sales was revised to better cope with the consumer damage from newly emerging marketing schemes.

The revised law, which went into effect on July 1, enlarges its regulatory fold into new marketing schemes such as telemarketing and job opportunity marketing. Prior to the revision, the law applied only to mail-order, door-to-door and multi-level marketing. The revised law also imposes tougher regulations on multi-level marketing.

D. The Act on Promotion of Utilization of Information and Communications Network

The Act on Promotion of Utilization of Information and Communications Networks was revised in December 2002. The revision was particularly geared toward curbing spam(unsolicited commercial electronic messages) and providing a firmer legal basis for privacy protection.

The revised law places unsolicited commercial e-mail under stricter regulatory controls and bans on-line marketers from using e-mail address generators or extractors to produce mailing lists and send such e-mails. On-line marketers will be also punished for ignoring requests from recipients of their e-mail advertisements to stop sending them such e-mail. The law also imposes stronger restrictions on the transmission of spam mail of a violent or pornographic nature. Specifically, it prohibits sending of such mail to youth and children.

E. The Specialized Credit Financial Business Act

The Enforcement Regulation of the Act has been revised to rein in reckless issuance of plastic cards and disorderly marketing practices by credit card companies. Under the revised rules, credit card companies are required to obtain parental consent before issuing cards to minors. They are also banned from offering expensive gifts as a lure for new members.

II. CONSUMER SAFETY

A variety of product safety, quality and standard requirements are in effect as provided by different laws and itemized by ministries. Of particular, the Consumer Protection Act provides for product recalls and collection and evaluation system of safety-related information and data. The following sums up major steps taken by the government to enhance consumer safety in 2002.

A. Product Recalls

In 2002, a total of 106 recalls were made, up 60 percent from 66 recalls in 2001. They break down to 90 voluntary recalls and 16 mandatory recalls. By industry, automobiles accounted for 72, foods 23 and office and sports goods 11.

B. New Car Safety Tests

Frontal collision tests have been used since 1999 to evaluate the safety of automobiles. Test results are made public to assist consumers in making informed decisions and to motivate automobile manufacturers to enhance the safety of their products.

In 2002, two rounds of collision tests were carried out, the first round in the first half of the year on light passenger vehicles under 800cc and the second round in the second half of the year on small vehicles under 1,500cc.

C. Master Plan for Children's Safety

The Korea Consumer Protection Board(KCPB) mapped out a master plan for enhancing children's safety. The plan was made through the results of extensive investigations into foods, products and facilities that may pose

safety risks to children. They include instant foods favored by children, facilities in and around schools, children's medicines, learning aid materials and play facilities. The plan was put to a series of public hearings before it was finalized.

D. GMO Labeling System

Presently, 27 product items of GM crops are regulated under the GMO labeling system that went into effect on March, 3 product items of GM foods July 2001. They include GM crops such as beans, corn and bean sprouts and processed GM foods such as tofu and bean paste.

In 2002, the government added potatoes to the GMO labeling list and developed quantitative and qualitative analysis methods suitable for this particular crop. It also stepped up its efforts to educate the public about the system by offering consumer education programs and distributing publicity materials such as leaflets, etc.

E. Strengthened Safety Requirements

The government overhauled the national safety criteria for electric products in order to bring them into step with IEC standards. As part of this process, safety requirements for about 100 products were either newly created or modified. Also, the guidelines were developed, which contained how to apply safety requirements and take test procedures.

III. PROTECTION OF THE ECONOMIC INTERESTS OF CONSUMERS

A. The Consumer Damages Compensation Regulation

The government revised the "Consumer Damages Compensation Regulation" in order to protect consumers from the growing trade of used

home appliances and newly emerging service businesses such as match-making service.

Under the revised Regulations, sellers of used television sets, refrigerators and washers must provide warranties to their buyers for a period specified by the seller. In case the warranty period is not set forth clearly, the warranty is assumed to be valid for six months from the date of purchase.

The modified Regulations also sets out consumer compensation guidelines for newly emerging service businesses such as match-making, on-site or patrol security and after-birth care (maternity care) services and for sports/leisure good suppliers.

B. Standard Adhesion Contract

The government approved standard adhesion contract forms to be used in 11 business categories where a growing number of consumer problems had recently been reported. They include auto insurance, golf clubs, moving & shipping, non-bank financing, fitness, and 'study-abroad' agencies. Additionally, the government modified the standard adhesion contracts for apartment selling & buying, bank loans and credit card membership in order to better protect consumers' interests in these areas.

In another move to safeguard the interests of traveling consumers, the government revised the Tourism Promotion Act to make it mandatory for travel agencies to sell their products under contracts and to provide their customers with a copy of the contract.

C. Regional Consumer Protection Centers

The Consumer Protection Centers which first opened in 2001 have served

as the focal point of consumer protection services offered by provincial governments. These centers are staffed jointly by officials from the provincial government and the Korea Consumer Protection Board and representatives of consumer organizations. They are responsible for handling a vast range of work and services such as receiving consumer complaints, obtaining consumer relief, mediating consumer disputes, overseeing product recalls and setting up consumer information networks.

In 2002, a Consumer Protection Center in Pusan opened, followed by Kwangju in 2001. By 2003, all provincial governments will host their own centers.

IV. CONSUMER EDUCATION AND INFORMATION

A. Consumer Day & Consumer Week

The 7th annual Consumer Day was celebrated on December 3, 2002, in a ceremony jointly organized by the Korea Consumer Protection Board and the National Council of Consumer Organizations.

To coincide with this occasion, the week from December 2 through December 7 was declared as 'Consumers Week'. During the week, a variety of events including an Internet Sweep Day, seminars and exhibitions were held around the theme of 'Consumer Protection in Financial Transactions'.

B. Key Information Disclosure Policy

To improve dissemination of consumer information, the government has been operating a system of "Disclosure of Critical Information" that requires the businesses to disclose the key information, which that may influence the consumers' choice, in their labels and advertisements.

In February 2002, the government added to the list of information and business categories subject to this system 3 information categories (GM, consumer safety and gift certificates) and 1 business category (match-making service). This brings the total categories on the list to 22 products and 3 information categories.

C. Shopping Infonet

In September 2002, the Korea Consumer Protection Board debuted a comprehensive shopping information site called 'Shopping Infonet' (<http://price.cpb.or.kr>).

The site utilizes meta-search technology in extracting and analyzing data from 17 major local price comparison sites to offer its visitors the lowest prices available on the Internet. The information provided covers not only prices of on-line shopping sites selling consumer goods but also off-line prices and utility rates such as train fares and electricity rates. The site also offers buying tips and consumer news for different categories of shopping items.

D. Consumer Education

Under a program designed to foster consumer education in schools, the government has been designating some schools, on a yearly basis, to carry out structured consumer education and research. In 2002, 3 schools (2 elementary and 1 middle schools) participated in the program. These schools were tasked to develop curricula, teaching methodology and materials for in-school consumer education.

The Korea Consumer Protection Board conducted 287 sessions of consumer education for college students, government officials and corporate staff studying or dealing with consumer issues and problems. The total number of participants in these programs was 33,034.

E. Consumer Information E-mailing Service

In January 2002, the Korea Consumer Protection Board started an e-mailing service in which up-to-date consumer news compiled by the Board is directly e-mailed to registered consumers in the form of a newsletter.

V. COMPLAINTS AND REDRESS HANDLING

A. Consumer Counseling & Relief

- **Consumer Organizations**

There are ten civic consumer organizations registered with the government. In 2002, these organizations handled 415,854 consumer counselings. The main products and services complained by consumers are cameras, musical equipment, audio-visual equipment and dry cleaning service, etc.

- **the Korea Consumer Protection Board**

In 2002, the Korea Consumer Protection Board handled 444,993 consumer inquires and complaints, up 7.4 percent from the previous. Of these, 76,719 cases were filed on-line via the Internet, showing a 21.7 % jump over 2001. Discount memberships accounted for the largest share of the complaints, followed by health foods, foreign language study materials, mobile phone service and dry-cleaning service in that order.

B. the Supporting System for Consumer in Lawsuit

In August 2002, the government launched a legal support service to help consumers deal with financial companies that refuse to accept resolutions

mediated by the Financial Dispute Settlement Committee. The service involves providing counseling about legal issues and financial assistance for litigation.

C. On-line Dispute Settlement System in the field of Electronic Commerce

In July, 2002, the E-Commerce Mediation Committee launched an on-line dispute settlement system. The system makes use of audio, visual and textual conferencing technology to bring together the interested parties in a dispute and the mediating authority to discuss and settle the dispute on line.

D. The Consumer Dispute Settlement Commission's 500th Session

The Consumer Dispute Settlement Commission held its 500th session on Nov. 11, 2002. This record was set in 15 years and 3 months since the commission's first session in August 1987. When a dispute cannot be resolved through a settlement arranged by the Korea Consumer Protection Board or other consumer organizations, it is referred to the Consumer Dispute Settlement Commission. When the Commission's decision is agreed by both parties, it is legally binding like as a judicial compromise by a court of law.

The Commission is presently made up of 29 members representing consumer organizations, business associations and the legal community. So far, it has mediated 5,216 cases.

VI. CONSUMER PROTECTION IN ON-LINE ENVIRONMENT

The number of consumers suffering loss from on-line transactions has been soaring. In 1999, the Korean Consumer Protection Board received 308 complaints involving on-line transactions. That figure jumped to 1,803 in 2000, to 5,288 in 2001 and to 10,760 in 2002. Against this backdrop, the

government has been carrying out multi-faceted efforts to protect consumers from risks and dangers involved in electronic commerce by creating a safe and secure on-line environment. The following sums up some of such efforts initiated in 2002.

A. Anti-Cyber Crime Coordination Group

Consumer relief organizations and law enforcement agencies formed a coordination group to mount a united front against cyber crimes. Such coordinated efforts are necessitated not only by the increasing prevalence of on-line fraud but by the fact that such fraudulent activities are getting increasingly intelligent and victimize large numbers of consumers at one time.

Sixteen agencies are participating in the group, including the Ministry of Information and Communication, the Korea Fair Trade Commission, the Korea Consumer Protection Board and the National Prosecutor's Office.

B. Privacy Protection Guideline for Internet Shopping Malls

In October 2002, the government announced the 'Privacy Protection Guideline for Internet Shopping Malls'. The Guideline sets out a set of rules to be followed by on-line business operators to protect the private information collected from their customers.

Under the Guideline, on-line retailers are required to notify their customers of the purposes for which they are collecting private information and for how long they will keep it. They are also required to obtain parental consent when they collect private information from young people under 14. The Guideline also specifies the duties and responsibilities of business operators in collecting and managing private information and rules for sending out e-mail advertisements.

C. General Guideline for Privacy Protection

In January 2002, the government announced the General Guideline for Privacy Protection as part of its efforts to curb abuse of private information collected in the process of on-line transactions. This government's measure was prompted by a growing number of cases in which private information has fallen into the wrong hands and been used even for criminal purposes.