

Consumer Protection in South Korea

Understanding global consumer interests and the market environment is important in this age of interdependency. Consumer protection in South Korea began in the mid-1970s. In 1980, the government passed the "Korea Consumer Protection Act (KCPA)" that provided the foundation for consumer protection in South Korea. This paper will review consumer protection in South Korea.

So-hyun Joo, Virginia Tech¹

Introduction

South Korea is one of the Newly Industrialized Countries; it is the 12th largest world trading country. The population of South Korea is 45.2 million in 1996, and the GNP of 1996 was \$480.4 billion, per capita income of that year was \$10,548. South Korea is thriving in culture, society, and academics.

Consumer protection in South Korea began in the mid-1970s. As a market-oriented society, South Korea had many unattended consumer problems during the 1960s. When the huge consumer price increases occurred due to the oil shocks in the mid-1970s, the government began to intervene in consumer protection. In 1980 the government passed the "Korea Consumer Protection Act (KCPA)" that provided the foundation for consumer protection in South Korea.

Overview of Consumer Protection Regulations in South Korea

Consumer protection regulations in South Korea exist in three general areas: (1) legislative, (2) administrative, and (3) judicial. South Korea has several consumer protection laws, such as the Consumer Protection Act, the Antitrust Act, the Price Stabilization and Fair Transaction Act, the Service Contracts Act, the Acts on Door-to-door Sales, the Act on Installment Transactions, the Food Safety Act, and the Consumer Product Safety (Quality) Act.

The South Korea Consumer Protection Agency within the national government's Economic Planning Board administers these regulations. The South Korea Consumer Protection Agency is composed of the Departments of Consumer Policy Research, Testing & Evaluation, Fair Trade, Consumer Safety, Information & Publishing, Education & Training, and Counseling & Conciliation. The Consumer Dispute

Settlement Committee also exists within the Agency. The major functions of this agency are enforcement consumer protection policies and regulations, supervision of businesses, testing, evaluating, counseling, and reconciling consumer problems. This agency plays an important role in narrowing the information gap between consumers and businesses by conducting research and distributing the information by publishing "Sobija Sidae(Consumer Era)." Consumer problems can be dealt with as civil affairs or criminal affairs, if consumers file their problems in court.

South Korea Consumer Protection Act

KCPA stipulates seven consumer rights: (1) the right to safety, (2) the right to be informed, (3) the right to choose, (4) the right to be heard, (5) the right to redress or remedy, (6) the right to be educated, and (7) the right to organize private consumer organizations. It also designates the roles of national and local government agencies in consumer protection. According to this act, the South Korea national and local government agencies should act in the following roles: (1) promulgating relevant regulations, (2) improving related institution functions, (3) regulating advertising, (4) promoting fair transactions, (5) reforming the measuring system, (6) educating consumers, and (7) redressing and remedying consumer problems. It also specifies industry requirements in consumer protection. KCPA provides for the establishment of the South Korean Consumer Protection Agency, and details its missions and organizational structure. KCPA also stipulates the roles and functions of private consumer protection organizations.

Five Categories of Consumer Protection in South Korea

Fair Transaction

Antitrust Act. The South Korea Antitrust Act is similar to that is in the United States, while monopolies and oligopolies are not illegal, monopolizing is illegal. The following are some examples of illegal monopolizing practices in South Korea: price fixing, market segment agreements, unfair supply limitations, special market barrier settings, transaction condition agreements, and equipment limitations. A problem with the act is that many monopolies are exempt from the law. According to this act a business which has over 50 percent of market share is a monopoly. For three businesses which have over 75 percent of market share are monopolies. Because the criteria of monopolistic business are so high, there are some monopolies in real market that are not regulated by this law. Another problem of this act is the ambiguity of interpretation of the term "unfair."

Price Regulation. The Price Stabilization Act allows the government to intervene in the regulation of public fares, price ceilings, and price information disclosures. The South Korea national government administers the change of prices for government owned businesses. These businesses include train, electricity, postal service, and domestic telecommunications. Unit pricing is mandatory in South Korea.

Act on Installment Transactions. The Act on Installment Transactions of 1986 is applied to only mobile property and services, not to real estate. Consumers have a 7-day cooling off period. This act controls the process of installment transactions. Consumers need to sign all relevant documents in order to be protected under this law.

Acts on Door-to-door Sales. This act has three sub-categories: (1) Act on Door-to-door Sales, (2) Act on Telemarketing Transactions, and (3) Act on Multilevel Marketing. The seller must disclose all related information before the transaction occurs, the written contract must be signed, and the consumer can cancel the contract within 7 days after the transaction. Telemarketing transactions are relatively new in South Korea; the specific and concrete consumer protection contents were included in the act in 1996. The act stipulates that all information be disclosed, especially about the consumer rights of withdrawal from the contract. Consumers can withdraw from the contract within 20 days if the product has been destroyed, if a different product has been delivered, or if the product is delivered later than the appointed date. Also, the act

prohibits false and deceptive advertising. Multi-level marketing in South Korea is similar to pyramid marketing. This act is similar to the Door-to-door Sales Act. The primary goal of this act is to prohibit unfair transactions. Thus, information disclosures before contract signing is mandatory, and consumers have a 7-day cooling off period. Also, it regulates the advertising of multi-level marketing products.

Service Contract Act. A contract can be effective only when the buyer and the seller agree and sign it. Contracts involve the following service transactions: (1) bank transactions, (2) insurance, (3) some service supplies such as electricity, water, and gas supply, (4) installment sales, (5) telemarketing, (6) travel transactions, and (7) postal services. Because most consumers do not read the contract in most of these service transactions, the act prohibits unfair terms and seller exemptions in the contracts.

Consumer Protection on Services

The acts on Insurance, Travel, and the Health Insurance exist in South Korea. Consumer protection on services is related to fair transactions, therefore acts on contracts, such as insurance contract and travel contract, play an important role. Medical problems have been a focus in recent years, but to date there is no strong consumer protection mechanism in this area. Generally, consumers solve any medical problem through reciprocal actions with doctors. Medical care problems can be dealt with as civil or criminal affairs. Consumers can ask the Committee of Medical Care Inspection Arbitration and the South Korea Medical Science Mutual Aid Association for assistance.

Consumer Safety

South Korea has a Food Safety Act and a Consumer Product Safety Act. The Electric Appliance Safety Act exists separately. The Food Safety act regulates the distribution period for foods, the sanitary conditions of food vending machines, the sale of health related foods (such as organic foods), and the condition of imported foods and drugs. In 1996 the South Korea Food and Drug Administration was inaugurated, and it enforces the Food Safety Act. The Product Safety Act and the Electric Appliance Safety Act regulate the quality and safety of consumer products. Quality inspections and grading of consumer products are required by these laws. But these acts provide more industry regulation than consumer protection; they focus more on product quality than on consumer safety.

Consumer Credit Protection

For consumer credit protection, South Korea has the following acts: Act on Installment Credit, Act on Credit Cards, Banking Act, Act on Pawn shops, and Act on Interest Limitation. The basic notion and characteristics are the same as the United States acts, but the scope and applications are a little different. According to the Credit Card Act, consumers can file a claim for redress by writing a letter of complaint. However only those products that are priced over \$230 fall under the protections offered in this law. For the unauthorized use, a credit card company is obligated to pay for up to 15 days of misuse from the day the consumer reports the card stolen.

Consumer Redress after the Sale

There are ways of obtaining consumer redress after the sale that exist in South Korea: redress through reciprocal actions, redress through private consumer protection organizations, and redress through the South Korea Consumer Protection Agency. When the consumer has a problem with merchandise or service, the South Korea Consumer Protection Agency may intervene and mediate for the consumer. If an agreement to settle the dispute between the consumer and the business has not been reached after 30 days, the consumer may request that the Consumer Dispute Settlement Committee in the Agency consider the case. Also, consumers can sue a company for product liability problems. However, class action lawsuits are not permitted in South Korea; therefore, most of the small sum problems that many consumers have are hard to redress.

South Korean Private Non-Profit Consumer Protection Organizations

These organizations are composed of consumers who themselves promote consumer rights and consumer protection. The major functions of these private consumer protection organizations include: (1) making recommendations regarding consumer protection generated by agencies of national and local government, (2) conducting consumer problems investigations and inspections, (3) testing of consumer goods and services, (4) conducting research on consumer issues, (5) educating consumers, and (6) providing consumer consultation services and consumer information. Some 309,753 cases of complaints were filed in these organizations in 1996. The following are examples of non-profit consumer protection organizations which are registered with the

Economic Planning Board and receive government subsidies: the YWCA, the YMCA, South Korean Federation of Housewives' Clubs, the National Conference of Housewives for the Betterment of Home Life, the South Korean Women's Association, the Citizen's Alliance for Consumer Protection of South Korea, and the Consumers Union of South Korea.

Conclusion

There is plenty of room for improvement in South Korea consumer protection acts and regulations. Because of its short history of consumer protection and the relatively less aggressive consumer movement in South Korea compared to the United States, the consumer protection in South Korea is still in its beginning stages. The national government, consumer protection organizations, businesses, educators, and consumers themselves need to concentrate more on asserting their consumer rights.

Endnote

1. Ph.D. Candidate, HIDM-CT Department, Blacksburg, VA, 24061-0424 Telephone: 540-552-4122; E-mail: sjoo@vt.edu)