

Recent trends and policies for Consumer Safety in Korea

Myung Hee Park

President of Korean Consumer Agency

Abstract

Among consumer rights, our priority lies with the right to be safe. Taking the dignity of man into consideration, any type of convenience or profit in transaction cannot be preferred more than value of man's life or body.

And this is why the right for safety is taken as the most important one among four basic consumer rights declared by John F. Kennedy, the 35th President of the United States.

Whereas we live in more comfort and convenience thanks to advanced science and technology, consumers are forced to be comparatively inferior in terms of information and knowledge regarding a product or service they are consuming. In specific, a single consumer faces difficulties in fully recognizing threat to safety due to complicated and diversified product or service. Once damage occurs in a society, it may pose a serious threat to entire health, life, and body of consumers. Therefore, we need risk management against safety accidents at the government level.

Recently in Japan, there were controversies around the frozen dumpling poisoning case and misbranded food. This was as the very same in Korea as seen in lots of happenings regarding food safety. There is increasing anxiety and uncertainty over food in Korea as a series of controversial issues occur such as mad

cow disease, bird flu, GMO food, food contamination, melamine scandal, and swine flu or Influenza A (H1N1). Consumer safety covers not only food safety issues but also industrial products and facilities. As this much, there are vast area to prepare against. Moreover, consumer safety issues travel across borders and extend fast and large as markets of products and services open wider on the back of increasingly globalized economy.

Then, under all these circumstances at home and abroad, how could we deal with consumer safety issues?

In order to address the consumer safety issue effectively, it is the most important to build an infrastructure for gathering, analyzing, and assessing consumer injury information quickly. The basic information will include questions such as which item causes the most damage; economic losses due to the damage; from consumer economy perspective, where we should start our works for improvement.

The importance of procedures to find out factors that may cause injuries to consumers and eliminate the risk should not be neglected. However, no less importantly, to restore confidence by reducing public anxiety and create a sense of trust in the overall market should be the most urgent business.

If we could create a safer social environment for our consumers based on the above procedures, people will be able to enjoy high quality of life in a comfortable

and reliable environment and businesses will delight in a business-friendly environment. That, of course, will help to contribute to national economic development.

- Contents -

- I. Introduction
- II. Consumer Safety Issues
- III. Consumer Safety Policy in Korea
- IV. Risk Analysis System and Action Plan
- V. Conclusion

I. Introduction

Among consumer rights, the right for safety of man's life or body is the most basic desire for basic existence. Since John F. Kennedy, the 35th President of the United States declared four basic consumer rights, the right for consumer safety has been taken as the basic concept for transaction.

Despite deregulation trend around the globe, each government is not going for an easing of consumer policy, especially consumer safety policy in order to guarantee consumers to live a safe life. To this end, all the governments are making utmost efforts including assessing risks of goods, setting up management plans, continuously complementing and reinforcing all the related policies. However, despite all these efforts, consumer safety issues continue to surface as social issue and related damage cases keep coming up as seen in a controversial mad cow disease issue and recent asbestos contaminated talc issue.

In reality, in 2008, the KCA's Consumer Injury Surveillance System (CISS), that collects comprehensive consumer safety damage cases, continues to see a growth in number of cases reported by large margin every year as seen in 14,836, 26,330, and 35,425 cases in 2006, 2007, and 2008, respectively.

In this regard, this report shall introduce consumer safety issues that surfaced as social issues in Korea and present exemplary policies that are pushed forward in 2009. Also, risk assessment and management and risk communication, that surface as major safety policy issue, shall be also explained.

II. Consumer Safety Issues

1. Food Safety Issues

When it comes to consumer safety talk, the first agenda we have to talk about is a crisis facing us on our dinner table. There are continued controversial issues over food safety as seen in mad cow disease, that shocks the Korean society as a whole, avian influenza (AI) or bird flu of which birds become a germ-carrier, and the most recent Influenza A (N1H1), of which a swine becomes a germ-carrier. Also, there are issues over what we eat including food contamination and melamine scandal. All these issues combined threw consumers into confusion.

- (1) Concerns over mad cow disease
- (2) Influenza A (N1H1) followed by AI
- (3) Food contamination scandals
- (4) Melamine in Chinese-manufactured products and imported food issues including

US-made peanut butter

- (5) Why is that consumers are more sensitive over food safety issues?

Sandman (1987) developed and presented 'outrage factors' that are used to determine the level of damage factor that people feel regarding a real or potential hazard and their emotional response. Through this model, we can understand the reason why consumers get astonished and outrageous sometimes regarding a small hazard but sometimes become unconscious and have no worry regarding a serious hazard.

In this context, the importance and necessity of risk communication policy are gathering strength as it shall dispel anxiety over food risk and help consumers react in a wise manner.

2. Consumer Safety Issue in Our Daily Lives

- (1) Issues over baby powder products, cosmetics, and medicine including asbestos contaminated talc

As asbestos scandal that began with a consumer report TV program reporting baby powder using asbestos-contaminated talc in this spring was confirmed as true in that the talc is used in our daily products such as cosmetics and medicines. This issue became a serious social problem. Although the dangerousness of asbestos was well-known and there is a strong regulation in place, consumers were shocked to see the asbestos contaminated talc-based products range variously from kid products to cosmetics and medicines. The outrageous consumers blamed the Korea Food and Drug Administration that looked upon with folded arms.

III. Consumer Safety Policy in Korea

1. Consumer Safety System in Korea

Unlike the US CPSC that is a comprehensive and systematic agency at the government level, consumer safety management is not dealt with in a single government agency in Korea, rather safety issues are handled by each competent agency by individual statute. In Korea, for consumer policy as well as consumer safety policy, there are responsible authorities of the Korea Fair Trade Commission and Korea Consumer Agency.

In specific, the Korean Agency for Technology and Standards (KATS) under the Ministry of Knowledge Economy is in charge of safety control of industrial products such as electric goods, while the KFDA is responsible for control of food, drugs, and cosmetics safety and is also undertaking information collection and evaluation.

2. Korea's Consumer Safety Policy in 2009

The Korean government recently sets up a Comprehensive Action Plan for Consumer Policy for 2009 with its focus task on reinforcement of consumer safety. The Government sets a goal of securing safety of a consumer's life or body for the consumer safety policy and has its policy direction of strengthening prevention and supplementing post-damage redress. In terms of the consumer safety prevention, the government promotes to improve law and regulation for securing better consumer safety and secure safety based on market self-monitoring, while driving

consumer safety policy of revitalizing redress system in terms of consumer damage redress.

IV. Risk Analysis System and Action Plan

1. Necessity for Establishing Risk Analysis System and Separating Risk Assessment from Risk Control

When introducing new product that is necessary to consumer life, investigation based on scientific data takes place to find out what kind of hazardous impact the goods shall have to consumer health. We call it a risk assessment. Next, based on the risk assessment results, we set up countermeasures including regulation and standards and execute them in order to protect health of a consumer. This is called as risk management.

In foreign countries such as France, Denmark, and Japan, they separate risk assessment and risk management in order to enhance transparency and build trust in food safety control. In France, for example, government authorities such as the DGAL, DSG, DGCCRF are in charge of definition, stipulation, and standard-setting, respectively, while risk assessment function is separately handled by the AFSSA. The French government makes an assessment organization independent for objective and transparent risk assessment and integrate assessment agencies dispersed in each department to strengthen the assessment function.

At present, in Korea, the Food Safety Policy Committee was established in 2008. The

Committee is engaged in policy coordination including risk assessment, risk management, and risk communications related to food safety at each departments in order to improve consumer confidence.

2. Collecting, analyzing, and assessing information for damage prevention

Under the present mass-production system, it is difficult to find out the cause of safe accident of a product. Also, damage has a wider range with seriousness. Therefore, it is the most important to prevent safety accidents beforehand.

In order to collect damage information, the US CPSC operates the NEISS, a network for damage information, in collaboration with 100 hospitals across the country, while the EU runs its EHLASS, an injury investigation system for Europe, by forming an alliance with hospitals in Europe.

3. Execution for damage reduction

The US CPSC, in which actions to reduce consumer injuries take place in a systematic manner, mainly works in the following areas:

- 1) For consumer damage prevention, the US CPSC sets a voluntary standard, takes part in a process for improvement in order to prevent consumer damage and develops compulsory standards;
- 2) The US CPSC executes the existing regulations and compliance acts such as recall and correction measures;
- 3) The US CPSC provides information on notice for safety injury and safe execution;

- 4) The US CPSC educates consumers on safe use of products;
- 5) The US CPSC also educates industries based on principles and regulations; and
- 6) The US CPSC is engaged in applying penalties including civil and criminal penalties.

V. Conclusion

President Barack Obama is said to have mentioned the following after he declared a war against unsafe foods in the aftermath of salmonella-contaminated peanut butter scandal.

“The food safety issue comes to me not as the US President but as a ‘Parent’. When I first heard the news of the salmonella-contaminated peanut products, I thought of my daughter Sasha. She eats peanut butter several times each week. The problem is that food safety supervision and execution are handled in a dispersive manner by too many departments and too many people in charge. There shall be a complete review of the Food and Drug Administration.” The order came in the aftermath of salmonella-caused food poisoning that have sickened more than 650 people and killed as many as nine people. First of all, he started a reform on the US FDA in charge of food and drug safety.

In order to secure a certain level of safety, a nation should intervene in the market with consumer safety policy by improving law and system. To reap the fruit of effectiveness, the market intervention should take place in terms of pre-observation for safety. However, it takes a significant amount of money for the nation to

intervene in the market and also there is a limit to reap the fruit as much as the intervention. Therefore, in the long-term, consumer safety policy needs a paradigm shift to a market-friendly and consumer-led direction from government-led administrative regulations. Products with potential injury shall only disappear when consumers become more safety-conscious by having more information on consumer safety and more consumer education chance and make rational choices.

Lastly, it is about an attitude of an enterprise and a consumer regarding safety.

As the global economic downturn becomes real, companies have no choice but to turn to look at cost related to product safety when it comes to cutting cost. What is worse, some companies misunderstand safety as unnecessary regulations and even restraints to a company’s economic activities. However, this is quite a short-term thought. Investments on safety should not be taken as expenses; rather, they should be taken as investment to win consumers’ hearts and confidence. When there are consumer doubts over a product, the company should be determined to facilitate a recall to regain consumer confidence.

Also, consumers should trust the company that executed the recall procedure as the company that fulfills a promise with consumers, purchase a product made by a company who determined a voluntary recall in the market, and have a faith in that a company executing safety controls becomes successful.