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Outlines of Consumer Administration in Japan

1. What is “Consumer Administration”?

There is no clear definition of “consumer administration”. According to the Consumer Basic Act, “consumer policy” means comprehensive measures and policies related to the protection and promotion of consumers’ benefits. Therefore, the administration to implement such ‘consumer policy’ is defined as “consumer administration”.

Furthermore if any problem causing damages to consumer’s benefits has occurred in an economic society, then, it is referred to as “consumer problems”. Consumer administration, in this sense, is administrative countermeasures to cope with various consumer problems.

2. What does “Consumers” refer to?

There is also no clear definition of “consumers”. As a legal definition in Japan, the Consumer Contract Act defines the consumer in Sec. 2(1) as “the individual” (except for the case in which one becomes a contracting party as/for one’s business) who enters into an agreement with enterprises.

From the economic viewpoint, consumers are persons who purchase goods or services and use them for their lives. Above all, the economic activities of a nation are motivated by production and provision of the goods or services needed for the citizens’ lives. Accordingly, “consumer” is synonymous with nationals or habitants for the economic definition, focusing around the purchase and consumption of goods and/or services

3. Diversification of “consumer problems”

The “consumer problems” are the problems involving purchase/consumption of goods or services by the Japanese nationals or habitants. That is, such problems diversely and directly lead to the entire Japanese economy. In proportion to the growth of and changes in the Japan’s economy, the nature of such problems has changed as well. Likewise, when the nature of consumer problems changes, that of consumer administration also changes in consequence.

Currently in Japan, the quantity and quality of daily necessities including services for consumers are secure. Therefore, the major consumer problems lie in situation that consumers are liable to buy goods or services that are unnecessary or ineffective for them, a situation which derives from the difference in the quantity and quality of available information or from the bargaining capability between consumers and enterprises.

4. Changes in “consumer problems” and “consumer administration” in Japan

Overview of the changes in “Consumer Problems” and “Consumer Administration” in post-World War II Japan.

(1) Economic reconstruction period after World War II (after 1945)

The biggest problem for consumers in those days was the shortage of consumer goods (daily necessities) and the inferior quality thereof. To address such problems, there was no choice for Japan but to reconstruct and develop the economy.

As a side note, “Shufu Rengokai” (Japan Housewives Association), Japan’s representative consumer organization (Tokyo-based) was inaugurated, taking root in a protest movement by many housewives against poor-quality matches, which were not only rare rationed goods, essential to people’s lives in those days, but also almost half of them did not ignite. Additionally “Kansai Shufu Rengokai” (Kansai Housewives Association; Osaka-based) was organized, taking root in a protest movement by some housewives against delay and/or suspension of the ration of rice, Japanese staple food.

(2) From the period of high economic growth to the first oil crisis (1965-1974)

Although economic growth in Japan enriched consumers’ lives, at the same time, the cost of living rose continuously. Accordingly, controlling living costs became a major issue in consumer administration of the time. The Economic Planning Agency established the Commodity Price Bureau under its own auspices while many other competent authorities involving commodities also established commodity-price-measures divisions.

Economic growth also drastically improved the quality of consumer goods. At the same time, however, cases of false representation misleading consumers about goods disguised as good quality became an issue, which led to the enactment of the Premiums and Representations Act in 1967.

On the other hand, economic growth brought extremely serious social problems such as issues of environmental pollution and the disruption of nature. Some theories categorize such environmental problems as consumer problems.

(3) Age of repletion after high economic growth period (After 1975)

In proportion to increases in the ratio of service-use within the total consumption of goods or services, problematic cases entailing deceptive fruitless services or of high-pressure sale of unnecessary services have increasingly occurred. Another problem at that time was the frequent occurrence of fraudulent businesses bilking the rich elderly generation out of large amounts of money. To cope with these problems, the applicable scope of the cooling-off system that allows consumers to cancel a contract without reservation within a specific period of time after entering into the said contract was expanded (for reference's sake, this system was adopted in 1972 in conjunction with the amendment of the old Door-to-Door Sales Act – current Specific Commercial Transaction Act).

In addition, the consumer administration of those days faced another major problem that in Japan each individual consumer could not satisfactorily enjoy affluence despite the prosperity of the nation, due to the rising yen and consequent spread of significant difference in commodity prices between domestic and overseas markets.

5. Japanese consumer administrative framework and main measures and policies for consumers

See appendix (“Consumer Policy for the 21st Century” edited by the Quality-of-Life Policy Bureau, Cabinet Office (pp138-9, 2003)

6. Enactment of the Consumer Basic Act (Amended Consumer Protection Basic Act, 2004)

Based on the points outlined below, the definition of consumers was elevated from “entities to be protected” to “self-sustaining entities” by consumer administration in conjunction with the 2004 amendment of the Consumer Protection Basic Act enacted in 1968. Consequently, consumer administration is shifting its basic stance from previous regulations focusing on enterprises to after-the-fact checking making use of market mechanisms.

- (i) The past consumer administration considered consumers as “Individuals who should be protected by administration” by regulating enterprises under the law.
- (ii) However, recent progress in deregulation has facilitated the utilization of market mechanisms which allow consumers to act independently in the market, and to make choices freely from a variety of options.
- (iii) To fully use market mechanisms, it is necessary to secure free and active competition among enterprises, as well as the fairness and transparency of the market. Consumers also have to take part in the market as “self-sustaining entities”, and conduct themselves in order to positively secure their own benefits.

7. Current conditions of consumer consultation

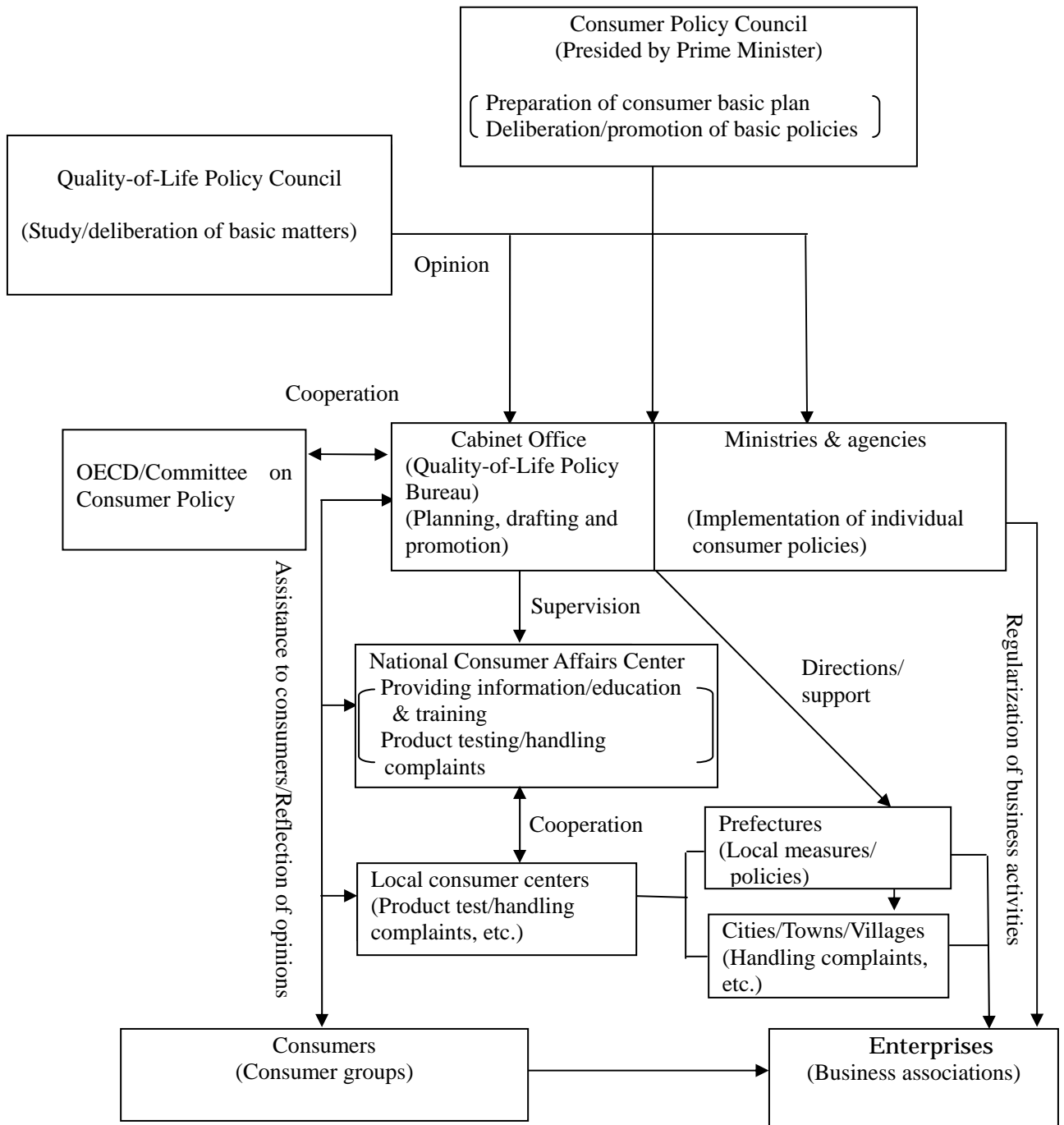
According to data released by the National Consumer Affairs Center on December 3, 2004, the number of complaints/consultations handled by local consumer centers nationwide has been increasing over recent years, as shown below. Even in the most recent months, this increasing tendency is unlikely to change.

In view of these facts, it seems doubtful whether conditions currently exist in which consumers can take part in the market as the “self-sustaining entities”.

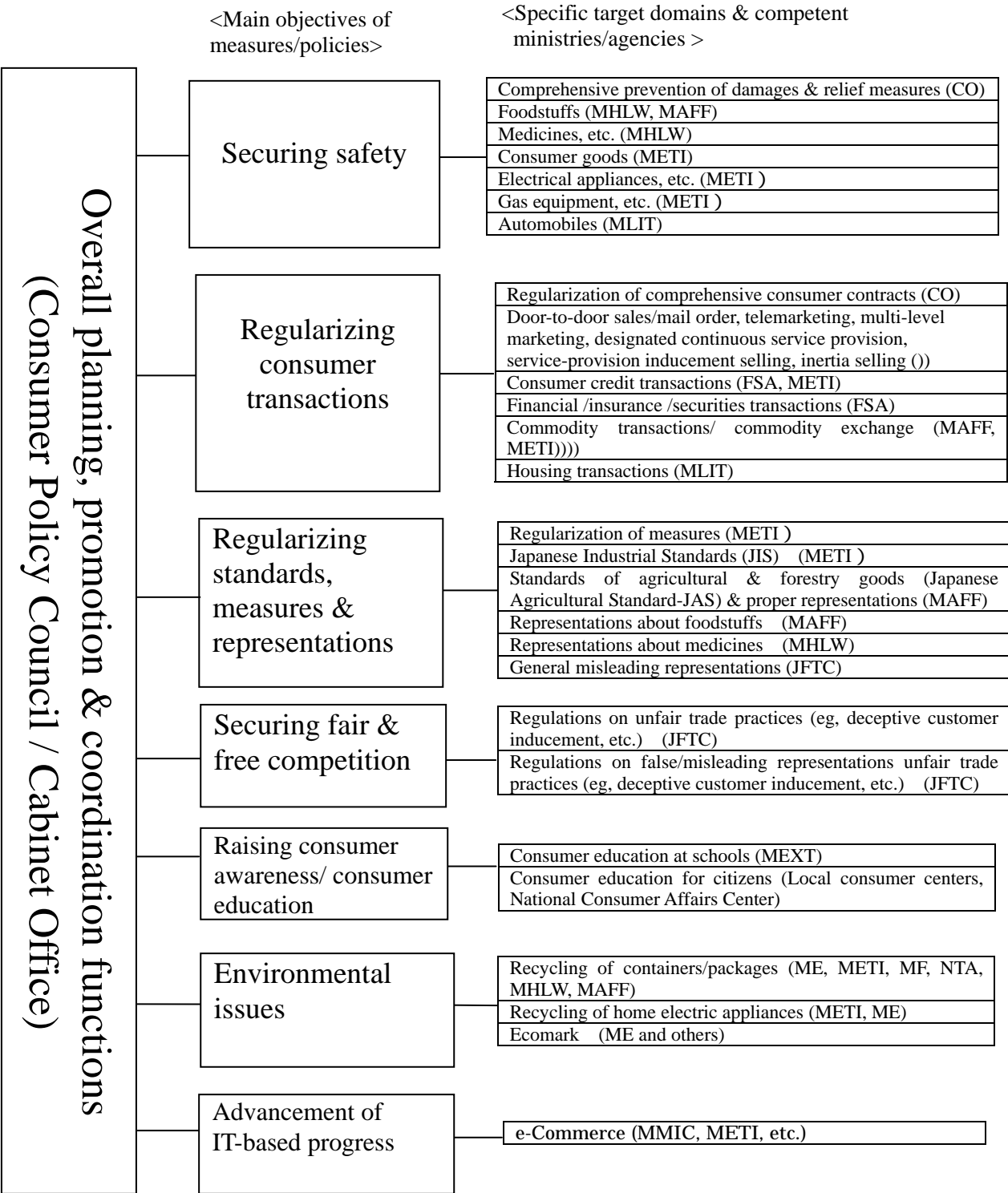
	2001	2002	2003	January – October 2004	
Number. of Consultations handled	623,742	817,234	1,295,245	1,149,683	(60% increase from the same term last year)
- Service-related	332,741	479,185	914,048	942,127	(93% increase)
- Commodities-related	283,943	329,152	369,224	198,244	(11% decrease)
- False-bill cases	19,305	53,779	354,478	431,677	(189% increase)

Note: “False-bill” means a fraudulent practice to charge a consumer to pay for commodities/services such as any service via the Internet that he/she actually did not purchase.

1. Consumer Administration Structure in Japan



2. Major Consumer Policies in Japan



【Abbr. for ministries/agencies】

- CO: (Cabinet Office) • MHLW: Ministry of Health, Labor & Welfare
- MAFF: Ministry of Agriculture, Forestry & Fisheries • METI: Ministry of Economy, Trade & Industry
- MLIT: Ministry of Land, Infrastructure & Transport FSA: Financial Services Agency
- JFTC: :Fair Trade Commission of Japan • MEXT: (Ministry of Education, Culture, Sports, Science & Technology)
- ME: Ministry of the Environment • MF: Ministry of Finance • NTA: National Tax Agency
- MIC: Ministry of Internal Affairs and Communications