The problems of China’s Consumer Protection Law in the legal practice

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Abstract
Following the tide to protect consumers’ interests, in October 1993, China enacted the “Law on protection of consumer rights and interests”, which not only serves as the first step towards establishing a consumer protection legal framework, to a certain degree, it also strengthens consumer rights awareness. About 20 years after, compared with foreign consumer protection legislation systems, some defects are found in the Chinese legislation on consumer protection. Problems are also found in how the law is practiced in reality. This paper identifies these flaws and offers suggestions for reform.

Keywords: Consumer protection; Chinese consumer law; Chinese legislation

Introduction
Legal protection of consumers’ rights and interests can have significant effect on the development and prosperity of China. As the development of market economy progresses, in 1993, formal legal protection of consumers’ rights and interests is established through the enactment of the “Law on Protection of Consumer Rights and Interests in People’s Republic of China” (hereinafter “Consumer Protection Law” or CCPL for short). At present, nearly 20 years have passed, China’s reform and development have entered a critical period. The rapid economic development has undoubtedly brought about dramatic changes and “upgrades” onto the consumption structure that now sees an increase of consumption in leisure, education, culture and medical insurance. At the same time, unprecedented circumstances and problems in consumer protection begin to surface. These new challenges draw attention to the inadequacy in the statute as well as the flaws in its practice. These defects deprive consumers from timely and effective protection of their rights and interests. In comparing with foreign consumer protection legislation systems, weaknesses of the Chinese system can be highlighted. This article sets to analyze the problems of the CCPL in practice.

I. CCPL: Basic Law in the field concerned
Deemed as a Chinese declaration of consumer’s rights, CCPL was promulgated in 1993 by China’s authorities to fulfill the need of building its rules system of Market economy. In doing so, the authorities aimed to capitalize from foreign successful experience. Since its enactment, however, the law has not been updated and it is still difficult to find a set of rules that specifically deal with consumers’ rights and interests in other national laws.

1. The legislative background
In 1990s, in the rapid development of China’s commodity economy, each person in the community is acting as a consumer, whose rights and interests are directly related to the market and economy well-being. Thus, there should be a comprehensive system that has legal binding force to safeguard consumers’ legitimate rights and interests. Moreover, with the socio-economic development, the issue on protecting consumers’ rights and interests is becoming more important. On top of that, consumers’ awareness of their rights and interests continues to heighten. The combination of these factors, the appeal from the people and the socio-economic development, offer support to enact the CCPL, it’s the ostensible and declared reasons.

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Accordingly, protecting the legitimate rights and interests of consumers, maintaining the socio-economic order and promoting the healthy development of the Socialist market economy are the three stated purposes of CCPI.\(^1\)

However, we should acknowledge that the fundamental reason for promulgation and implementation of the CCPI is to build a better Chinese legislative system upon learning from other countries’ successful experience. In 1990s, China’s central government paid more attention to the legislative development. On the one hand, China wanted to build a comprehensive law system that suited Chinese characteristics; on the other hand, Chinese government also wanted to learn from the successful experience of legislative building in other countries. In this development process, the protection of consumers’ rights and interests came to be considered, and it soon became apparent that there were many good legal practices in the world. As such, China felt the need to, and having the ability to do so, thus did enact an ineffective law to protect the rights and interests of consumers as soon as possible.

In October 1993, China’s state promulgated and implemented the CCPI, which contains the general terms of laws and regulations that aim at adjusting social relations that arise from the protection of citizens’ material and cultural consumer rights and interests.\(^2\)

### 2. Other related regulations at national level

As a whole, there are also other laws at national level involving the daily life of a consumer, which are related to consumer protection. Incomplete statistics shows that such laws and regulations are over 160 in number, such as Product Quality Law,\(^3\) Law against unfair competition,\(^4\) Metrology Law,\(^5\) Food Sanitation Law,\(^6\) Advertising Law,\(^7\) Trademark law,\(^8\) Drug Administration Law,\(^9\) Malpractice Regulations,\(^10\) and so on.

These related laws not only play as a supplementary role on the law application, but they also further refine the rights, duties, responsibilities and procedures of parties concerned, which may contribute to better protection of the legitimate rights and interests of consumers.

However, these related laws are enacted in the superficial level, generally speaking, they lack certain specific rules that are required for dealing in a consumer setting. It is difficult to find a concentration of special rules for consumer in these national laws. Therefore, in most consumer disputes, consumers always cannot get adequate, immediate and effective support from these legislations.

### 3. Law on Application of Laws to Foreign-Related Civil Relations

Along with the deepening of the reform, opening progress, and the frequenting international exchanges, the legitimate rights and interests of foreign consumers must also be taken into account.

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1. The law on protection of consumer rights and interests in People's Republic of China (1993), art. 1.
2. After that, a series of other regulations on consumer rights protection have been introduced at local levels. All of these have played positive roles in arousing people's awareness of consumers' rights protection and in speeding up the legislative process of the commodity economy in China.
4. Adopted at the 30th Meeting of the Standing Committee of the Seventh National People’s Congress on February 22, 1993, and amended at the 16th Meeting of the Standing Committee of the Ninth National People’s Congress on July 8, 2000
5. Adopted at the Third Session of the Standing Committee of the Eighth National People’s Congress on September 2, 1993. Promulgated by Order No.10 of the President of the People's Republic of China on September 2, 1993, and Effective on December 1, 1993
6. Adopted at the 12th Meeting of the Standing Committee of the Sixth National People's Congress and promulgated by Order No. 28 of the President of the People's Republic of China on September 6, 1985, and effective as of July 1, 1986
7. Adopted at the 16th Meeting of the Standing Committee of the Eighth National People's Congress and promulgated by Order No. 59 of the President of the People's Republic of China on October 30, 1995, and effective as of October 30, 1995
8. Adopted at the Standing Committee of the Eighth National People's Congress of the People's Republic of China on October 27, 1994 to be put into effect on February 1, 1995.
10. Adopted at the 7th Meeting of the Standing Committee of the Sixth National People's Congress on September 20, 1984, revised at the 20th Meeting of the Standing Committee of the Ninth National People's Congress on February 28, 2001
11. Adopted at the 55th Meeting of the State Council on February 20, 2002, to be put into effect on September 1, 2002.
Article 42 of Law of the People's Republic of China on Application of Laws to Foreign-Related Civil Relations\(^\text{12}\) (Chinese international private law) has made an appropriate provision to the selection of consumer protection laws in this regard. According to this article, a consumer contract shall be governed by laws of the habitual residence of the consumer. Where the consumer chooses to apply laws of the place where the goods or services are provided, or the business operator concerned does not engage in relevant business activities at the habitual residence of the consumer, laws of the place where the goods or services are provided shall apply.

In conclusion, in actual Chinese legal system, the CCPI is the basic law in the field and nearly the only law that is specifically targeted at protecting consumers’ rights. Notably, CCPI has not been updated since its promulgation.

II. Progress, Defects and Applicable Obstacles of the CCPI

Although the CCPI has made great progress on Chinese consumers’ protection, this law contains some defects and has met great obstacles in its implementation.

1 Legislation progress

(1) Declaration of consumers’ rights

The CCPI defines what is considered as Chinese consumers’ rights. In most cases, consumers are natural individual persons, who are scattered and disorder among themselves. When they face organized and experienced business operators, they are often on the disadvantaged side. In order to protect consumers’ legitimate rights and interests and to give them reasonable, effective and full protection whenever the rights and interests are infringed upon, State involvement is adamant. The laws shall be partial to and side with consumers to balance out the power between the two sides. In the CCPI, this feature can be seen from the regulations of the rights and obligations. It changes the traditional customs of civil law on the equivalence in rights and obligations; the rights and obligations in the allocation of the CCPI significantly lean to the consumer side.\(^\text{13}\)

According to the CCPL, a consumer may exercise nine basic rights: the right of security (art 7. CCPI), the right of choice (art 9. CCPI), the right to know (art 8. CCPI), the right of independent fair dealing (art 10. CCPI), the right of compensation (art 11. CCPI), the right of association (art 12. CCPI), the right to obtain knowledge (art 13. CCPI), the right of dignity and customs respected (art 14. CCPI), and the right of supervision (art 15. CCPI).

(2) Punitive compensation system

In Chinese civil law, the limit of damage compensation that can be awarded is based on the actual loss of the victim. Scholars opine that “according to the principle, the damage determine how much compensation the victim will get and how much responsibility the other party will get”\(^\text{14}\), so as to avoid the victim's improper benefit, preventing people deliberately seeking more compensation than the actual loss.

In the CCPI, however it contains a punitive provision that requires business operators to pay a double compensation if they have committed a fraud on consumers. This so-called punitive compensation means compensation awarded in by law or sentenced by the court that is more than the actual loss suffered\(^\text{15}\). Article 49 of the CCPI provides that “business operators engaged in fraudulent activities in supplying commodities or services shall, on the demand of the consumers, increase the compensations for victims' losses; the increased amount of the compensations shall be one time the costs that the consumers paid for the commodities purchased or services received.” The purpose of this article is to mobilize all consumers to fight against business operators’ fraud and protect their own rights and interests\(^\text{16}\). At the same time, we can see that the rules of punitive compensation responsibility here is akin to those that govern breaches of contract obligations, which are different from infringement punitive damages. It is only applicable to goods fraud and services fraud.

\(^{12}\) Adopted at the 17th session of the Standing Committee of the 11th National People’s Congress on October 28, 2010.

\(^{13}\) For example, this law only stipulates the "consumers' rights" and "business operators' obligations" but there aren’t "consumers' obligations" or "business operators' rights".

\(^{14}\) The Staff Room of civil law Central politics and law cardres’ school, Basic problems of Civil Law of People’s Republic of China, Law Press, China 1958, p339.

\(^{15}\) Shi Jichun, Economic Law [M], Law Press, 2003, p337.

\(^{16}\) Liang Huixing, the Understanding and Application of Article 49 of the Consumer Protection Law [N], 2001.
Yet, we have to admit that this regulation has its limitations. Firstly, because it only applies to goods fraud and services fraud, the scope of protection is very narrow. Secondly, there are controversies in the practice of this clause. On the one hand, the premise for consumers to get double compensation relies on consumers proving fraudulent liability, increasing the consumers' burden of proof. On the other hand, this punitive standard for business operators is seemed to be insufficient. So there can be a lot of progress in the future.

2 Legislative defects

(1) The definition of “consumer” is not clear

According to article 2 of CCPI, this law shall aim to protect “the rights and interests of consumers in purchasing and using commodities or receiving services for daily consumption”. From this, the consumer is defined as a natural person who purchases or uses goods or receives services in order to meet the needs of the individual life consumption.

However, along with the development of social practices, problems and debates also appear, for example: what does the scope of the life needs include? If not for the need of life consumption but for other purposes, does the person who the purchases or uses of a commodity or receives services (such as someone buys a fake when he knows it) belongs to category of consumers? How about meeting the needs of family or others to purchase goods or services? How to define the scope of the services? Do consumers include units and other organizations?17.

(2) The range of rights is narrow

In the power balance between consumers and business operators, consumers usually find themselves in a vulnerable position. As mentioned before, there are 9 kinds of rights and interests regulated in the CCPI. This regulation gives consumers the access to ask for help to protect their own benefits when they suffer losses.

In order to be fair and to level the playing field between the two, the state shall give consumers special protection. Laws and regulations are indispensable tools in the consumer protection mechanism. The laws and regulations should assume the position of consumers, reasonably sets out limitations and restrictions of business operators' activities, lay stress on operators’ obligations, at the same time, should focus more on consumers’ rights and interests, giving them more security in the implementation of their rights and interests18.

However along with the development of market, society and globalization, especially the emergence of the Internet economy, the 9 kinds of rights are not enough to protect consumers.19 Other rights and interests that are excluded from the CCPI's protections can also be harmed by the misdemeanors of business operators.20 Therefore, the expansion of the range of consumers' rights and interests is imperative.

(3) The burden of proof is not reasonable

Under the stated laws, the court would require the parties to prove the existence of damage to the rights and interests claimed, so it follows that the court must also decide which party carries the burden of proof. There aren’t clear clauses in the CCPI on this matter. However, in real disputes, it is often solved according to the principle of traditional civil law, that is, "the person who advocates the issue is under the burden of proof"21.

However, a consumer dispute should be treated as a special kind of product quality civil litigation activity, because if we still apply the above principle, protection is lost. This is because in the modern society today, technology develops quickly, there are more and more content of science and technology in commodity or service, but most of the technical information is mastered by business operators not consumers, information deprived consumers are often the disadvantaged and vulnerable side which find themselves lacking the skills to prove what is needed. The cause of the defects, the kind of defects, and how and which of these defects lead to actual damage, are the information that victims often have no ability to obtain sufficient evidence.

17The main countries and regions in the world regulate that a unit cannot be a consumer, because a unit’s consumer living consumption usually behaves as personal consumption. However, China does not have definite answer to these problems. Zhang Chenglong, the Problems and Perfection of Consumer Protection Law of China [J].Economics and Law, 1997(10).
18NingLizhi, XuDuoqi, The value orientation of the CCPI.
19GaoFeng, How to perfect the CCPI, Suzhou university, 2006.
20Such as online-shopping rights problem, privacy issues in transaction, consumer protection in financial trading and so on.
21Zhu Hui, Discussion of the problems and perfection of the Consumer Protection Law[ J], 2008(3)
The laws should build a new system for the burden of proof, according to the characteristics of consumption disputes and to the principle of balance the burden and ability. This new system must protect the weak and be partial to and side with consumers. 

(4) The methods of rights protection lack of power

The enforcement regime is crucial to effective protection of consumers, without it, all of other provisions are in vain. The CCPI remains to be complete in this issue.

The CCPI specifies 5 kinds of methods in dealing with disputes, namely consultation, reconciliation, mediation, appeal, arbitration and litigation. Undoubtedly, each kind of methods here has its limitations in application, for example, it is easy to see negotiations end in more agony between the parties, arbitrations lead to nothing, appeals drag on for a long time and so on. These situations deter consumers to hold on to enforcing their legal rights and interests. This seriously impedes consumers getting the protection that CCPI sets to offer. Besides, China's existing legal system may no longer satisfy the need of the practice of the consumers’ rights protection.

3. Obstacles in Application

(1) The clauses in the CCPI are too superficial and abstract to apply

As analyzed above, the CCPI, because of its limited scope of rights being protected and the inherent disadvantages in the enforcement methods, is falling short in offering real and actual protection to consumers when the situation calls for it. In addition, the clauses in the CCPI is too superficial and abstract to apply, lacking specific operational provisions to protect consumers’ rights and interests. This is one of the reasons why consumers feel at a loss to obtain compensation after their rights and interests have been damaged. For example, the CCPI lacks regulations on sales contracts, such as the making, performance, payment, replacement, packing and so on.

Taking one clause as another example, the CCPI regulates that “Consumers shall have the right to exercise supervision over commodities, services as well as the work of protection of consumer rights and interests”; “Consumers shall have the right to inform and charge against the infringement upon consumer rights and interests and the breach of law or neglect of duty on the part of State organs and their functionaries in the work of protection of consumer rights and interests, and have the right to raise criticism of or proposals for the work of protection of consumer rights and interests” (Art. 15). As such, we can see that the clauses of the CCPI like this one only stipulate that the consumers have the right, but not on how to specifically realize these rights. It also lacks detailed procedural regulations. This is a considerable barrier to consumers in seeking to enforce their own rights and interests in accordance with the CCPI.

(2) Most content of the CCPI is included in the civil law

Since the CCPI involves legal problems between consumers and business operators, and is established under the guidance of the general rules of civil law, so the general rules of civil law also applies to consumer disputes. To a degree, we can say that the general rule of civil law is the basis of the CCPI. The latter is the further improvement and development of the former. 

Moreover, many other civil laws sometimes overlap in content with the CCPI, and the clauses in which, whether the substantial laws or procedural laws, are even clearer and more developed. So in many cases, it is often for consumers to turn to other laws and regulations of the civil law system to protect their rights and interests.

(3) Consumers are lacking rights protection consciousness.

Along with the development of market economy, consumers’ rights protection consciousness is also developing.

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24 The General Principles of Civil Law of the People’s Republic of China (GPCL), the basic and leading law of all civil norms, establish the basic principles in civil activities and the civil law system. It is the foundation of civil rights and obligations. Besides, the Chinese contract law, torts law, securities law, real rights law may also be applicable in the field of consumption.
Some organizations such as the "consumer rights and interests protection association" play a positive role in consumers’ rights and interests’ protection.25

However, deeply rooted psychological consciousness, such as the notion of "minimize the consequence" and "better none than less" plays a very significant role that may counteract with rights consciousness. In most circumstances, consumers often suffer indignities without protest, or may simply be satisfied with a partial refund without requiring further compensation. Besides, the required burden of proof and litigation costs all hinder consumers to act on their consumers’ rights. Therefore, in order to do better in safeguarding consumers' rights and interests in China, it’s a very important part to enhance consumers’ rights protection consciousness.

(4) The attitude of the legislators leading to the applicable obstacles

As discussed above, the real reason of the promulgation and implementation of the CCPI is to fulfill the need of building a better Chinese legislative system in 1990s. At that time, China wanted to build a comprehensive law system that are defined by Chinese characteristics, and in this development process, the protection of consumers’ rights and interests was one part of consideration, so China enacted the CCPI as a branch of the legislation system.

Yet, after the promulgation of the CCPI (1993), the Chinese legislators have not paid enough attention on how this law is actually carried out; the disinterests of the legislators in CCPI's implementations is one cause of the obstacles faced when one wishes to enforce the rights granted in the CCPI. This prevents consumers from adequate protection of their rights and interests.

III. The differences in the CCPI between China and EU

When Chinese legislators prepared the draft of CCPI, EU consumer protection law was taken as reference point. However, nearly 20 years after, while the EU has made great progress in the field, China is far behind.

Since the 1990s, the movement of unification for consumers’ protection in EU has flourished. At present, the legislative framework that governs consumer protection in the EU can mainly be found in the “European Consumer Protection Act” (signed in 1998), "the Treaty of Rome" (signed on 25 March 1957 by Belgium, France, Italy, Luxembourg, the Netherlands and West Germany), "Consumer Protection Charter" (signed in 1973), "Single European Act", "the Treaty on European Union" (signed in 1993) and "EU unfair commercial practices directive" (signed in 2005) and so on.

Developments and changes in the past fifteen years in EU consumer protection laws include the embodiment of the rich connotation of Consumer Protection, the expansion of the scope of the protection and diversification of the means of protection27. This is true especially in the field of advertising28; the format contract, liability to guarantee, network consumption and out of court consumer dispute resolution mechanism and so on, not only strengthen the protection of consumer rights and interests, in increasing policies and proposals means, despite its lack of legally binding power, they resemble a remarkable breakthrough from traditional consumer protection methods. To a certain extent, it maintains the development of the integration of the EU internal market, coordinates the activities within the EU consumer organizations, promotes a merchant credit, enhances the protection level of the health and safety of EU consumers, and comprehensively protects the legitimate rights and interests of consumers in the integrated market.

These laws are not only much more comprehensive in the range of consumer rights and interests, but also more detailed in procedural requirement in restricting business behaviors and provide more effective protection for the rights and interests of consumers in particular.

26 Signed at Luxembourg on 17 February 1986, and at The Hague on 28 February 1986. It came into effect on 1 July 1987, under the Delors Commission
Therefore it has become China’s top priority to learn from the successful experience of the EU consumer protection laws so as to improve the system of consumer protection laws in China’s commercial transactions. For example, according to the “The European Union unfair business practices instructions”, it is not acceptable to simply provide label warning information on the product packaging but not in commercial advertising. If the advertisement contains warning information, but the handwriting is small, in an inconspicuous location, or that is quickly scroll past on TV or movie screen, they are inevitably considered as misleading. Moreover, vague or incomplete information of commodities that is misleading if is not able to be remedied simply by supplement, change or interpretation available to the consumers provided in the following stages(such as contracting stage, the terms of the contract and instructions, post-supervision, etc.)\(^{29}\). Based on this, EU law requires that the advertisement must have integrity and should include all important product information. Take another example, in order to resolve consumer disputes in a flexible and efficient way, the EU gradually worked out a simple and effective model for consumer disputes in the practice to resolve consumer disputes outside the court, which mainly includes consultation,conciliation, mediation and arbitration\(^{30}\). These modes have more specific and effective procedural requirements to facilitate rights protection of consumers.

Overall, it has become China’s top priority that the successful experience of the EU consumer protection laws is integrated in the Chinese system to improve consumer protections in China. This calls for a refinement on the provisions of the substantive and procedural aspects that pay attention to maintaining a good balance between consumers and business operations, promoting market development, and protecting consumers’ rights and interests.

IV. The improvement of Chinese consumer protection legislation

Through the above analysis, we can see that China's consumer rights protection framework requires great changes as soon as possible. Using the CCPI as a starting point, the following briefly specifies the improvements needed in China's consumer rights legislation.

1. Further clarify the concept of "consumer"

As discussed, CCPI is flawed on the definition of "consumer". Besides meeting the daily needs, we should expand the scope of the "consumers", to include persons such as those buying antiques for the purpose of appreciation or collection. It should also cover commodity house consumption, the medical service consumption, traffic tourism consumption, and financial insurance service consumption.

Secondly, it is also suggested that the unit albeit not being the ultimate consumption subject, should be seen as consumers in buying behaviors (special purchases), or as representatives of consumers to resolve disputes with business operators.

2. Expand the range of consumer rights, and strengthen the protection

Now, the CCPI regulates the nine classes of consumer rights, but through numerous practical considerations, it ought to expand to a broader coverage of classes so as to fully cover the rights and interests of consumers that should be protected. The expansion should no doubt take into consideration of the actual needs of consumers reflected in practice and requirements. Considering the rising concerns on privacy protection and options right regulation, the reform should not only come as soon as possible, but the content should be as specific as possible.

In addition, the protection of existing rights should also be strengthened. Although five enforcement methods have been provided in the law, they are not effective under many circumstances. This not only involves further development in procedural requirements to ensure effective enforcement means, but also calls for clearly specifying the rights protection measures under different circumstances. It also requires a greater emphasis on special protection of the consumer rights for those who are most vulnerable to harm.


3 Special favor in the burden of proof and litigation cost

Considering the main obstacles that prevent consumers from protecting their own rights are the required burden of proof and litigation cost, when we try to improve China’s law on protection of consumer rights, it is necessary to design some special rules to protect the consumers, who are in a relatively weak position. On the issue of burden of proof, principle of conversion of burden of proof should be adopted and be widely practiced in the whole area of protecting consumer rights.

In order to solve the problem of high litigation cost, the consumers should be granted some special care according to their economic conditions. In addition, improving the legal aid system can also alleviate this problem.

4. Formulate practical and special regulations, especially in the field of sales contract law

As we know it, the stipulations in the CCPI are too superficial and abstract to apply, lacking specific operational provisions to protect consumers’ rights and interests. This is one cause of consumers’ discontent with the legal protection framework. There is a great need to formulate some practical and special regulations tailoring to solve the problems posed.

However, reflecting from how the laws have been practiced since its enactment, the most important task is to develop a good sales contract law, including the making, performance, debating, compensation or other procedures. We believe this change will reduce many disputes between consumers and business operators, and also it will make consumers easier to get protection.

The above is the preliminary study on the current situation of the legal system of protecting consumers’ rights and interests. We can see some problems in the present system and there is still a long way ahead in improving the system. With reference to the advanced experiences of foreign countries as well as China’s national conditions, we can make China’s legal system in protecting consumer rights better and better.