

# CHINA UPDATES

Your Trusted Source for Market Intel on China's Natural Health Product Industry



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### China Lowers Import Tax and Administrative Fees

Passed by the State Council Customs Tariff Commission, China has lowered its import tax rate as of January 1, 2013. The import tariff rates of more than 780 products, including skin care, sunglasses and some household appliances will be lowered. At the same time, the natural and cultured black pearls whose import tariff rate was 21% has been cancelled. The import tariff rate of sunglasses has been reduced from 20% to 12%, and the import tariff rate of skin care products has been decreased from 6.5% to 5%.

Also on January 1, China has lowered its inspection and quarantine fees on a wide range of imports and exports to help ease the financial burden of companies engaged in foreign trade amid the global economic slowdown. The lower charges are expected to reduce costs for companies involved in foreign trade by almost RMB5.2 billion (US\$827 million) a year. They will be cut to 0.08% of total value from the current rates of 0.12% for quarantines and 0.15% for inspections. The changes cover plants, animals, edible oil and other food products. *(Source: Ministry of Finance, National Development and Reform Commission)*

China Updates is a service provided by U.S.-China Health Products Association. The Newsletters are issued three times a month. China Updates provides news on regulatory environment, new legislation, association activities and any information related to China's natural health products industry.



## New Regulation on Children's Cosmetics

On February 1, 2013, the “Reporting and Review Guideline on Children’s Cosmetics” enacted by the State Food and Drug Administration will be formally implemented. The “Guideline” is expected to build regulatory protection for children. It requires children’s cosmetics to minimize the amount of ingredients used in the formula and not to use raw materials that have the functions of whitening or removing freckles. They should also minimize the use of flavors, coloring agents, preservatives and surfactants.

According to the “Guideline”, children’s cosmetics refer to those cosmetic products being marketed to children aged 12 years old and younger. Currently, the market contains some Chinese branded children’s creams that have more than fifteen and in some cases thirty ingredients. Experts believe that after the implementation of the new regulation, many domestic cosmetic companies will be forced to reformulate or in some cases close because they do not or can not comply with the new regulation. *(Source: China Business Journal)*

## China Kicks Off Illegal Advertising Monitoring System

Beginning on January 1, 2013, China officially launched the illegal advertising monitoring system on drugs, medical devices, and dietary supplements in municipal-level radio stations, TV stations, and newspapers.

In early 2012, the State Food and Drug Administration suggested to establish an illegal advertising monitoring system covering national and municipal radio stations, TV stations, and newspapers. The system has carried out its experimental stage in five provinces (municipalities), i.e., Tianjin, Hebei, Liaoning, Henan, Hubei. After seven months of pilot operation, the monitoring system can now provide comprehensive statistical functions and timely and accurate data processing reporting to reflect the status of illegal advertising.

SFDA requested food and drug supervision departments at all levels act in strict accordance and take full advantage of the advertising regulatory mechanism to better monitor the illegal advertising phenomena and protect consumers. *(Source: SFDA)*

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## SFDA Promotes Health Food

Given the increasing popularity of health food and dietary supplements, the State Food and Drug Administration, Beijing Drug Administration, and Beijing Huimin Medical Development Foundation recently co-organized a “Health Food Popularization Activity” in Beijing with the theme of “Eat Scientifically”.

The food and drug supervision departments at all levels should all act in accordance with SFDA and spread knowledge about health food and food safety through promotional activities in order to enhance public confidence in health products and food safety. *(Source: SFDA)*



## Beijing Will Initiate the E-monitoring System of Cosmetics in 2013

According to Beijing Food and Drug Administration, Beijing will initiate the e-monitoring system of cosmetics in 2013.

An official at the Beijing FDA says that with the increasing public focus on cosmetics, many strict regulations and standards of cosmetics have been introduced at home and abroad to regulate the research and development, as well as the manufacturing and sales of cosmetics. This is a new challenge for the inspection and quarantine institutions. The official told reporters that Beijing will set up and start the cosmetics e-monitoring system that ranges from cosmetics companies record to the import and export of products and follow-up supervision, as well as the inspection and quarantine process. *(Source: Beijing Business Today)*

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## Hubei Food and Drug Administration Opens Its Online Reporting System

In order to further promote the reform of the administrative examination and approval system, and to build an effective and efficient way to provide service to the public, Hubei Food and Drug Administration opened its online reporting system for administrative approval.

The online reporting system for administrative approval includes the reporting of pharmaceuticals production and management, medical device manufacturing, medical device registration, specialty pharmaceuticals, health food production, cosmetics production, and food service. The opening of the online reporting system has greatly facilitated the enterprises by shortening the time of administrative examination and approval, and has improved the efficiency of government service.

Building the online reporting system is an important way of promoting the development of food and drug supervision work. Hubei Food and Drug Administration will listen to the comments and suggestions of the companies during the trial period to adjust and optimize the system, ensure the security of the system, and further enhance the quality of its service. *(Source: SFDA)*

## Women's Concern about Cosmetic Ingredients Escalates

At the end of 2012, Chongqing carried out a survey entitled, "Which skin problem do you want to improve most in 2013". Unexpectedly, "whitening", which has long been the major pursuit of Asian women, didn't come first in the result. Instead, "tightening", with a high proportion of 71% of the selected respondents, has become the No. 1 skin problem that women want to improve in 2013. Interestingly, in last year's survey, Chongqing women did not show too much concern about skin tightening.

After spending many years in the cosmetics market, Chinese women are gradually beginning to have a more systematic and in-depth experience and understanding of skin care issues.

In the survey, 91% of Chongqing women believe that the use of skin care products can improve their skin condition, and nearly 60% believe that skin care can make them look younger and increase self-confidence.

Chongqing women also want to pay attention to those skin problems that are easy to be overlooked and that are not easy to be solved, such as the composition and the ingredients of the products they use. The survey shows that over 80% of the respondents clearly know that one of their reasons of choosing a certain kind of skin care product is whether it contains natural botanical extracts. Meanwhile, security, functionality, brand reputation are also the notable reasons during the purchase, whereas price and packaging are far less important.

For women in China, it is a qualitative leap from the simple pursuit of “whitening” to the deep concern about the health of the skin itself. When more and more Chinese women begin to focus on cosmetic ingredients, we can see that China has entered another stage of the pursuit of beauty. (Source: Chongqing Morning Post)

## China to Surpass the U.S. by 2049

### Association Commentary

Due to the use of the term “National Health” in the below article from Xinhua news agency, it immediately made me think about “health” as in “national health care, life expectancy, etc.” Although the article is speaking more to the economic health of China compared with the U.S. and other nations, it was by coincidence that on the day I was putting this issue together, I came across a report entitled, “U.S. Health in International Perspective: Shorter Lives, Poorer Health” and I couldn’t help but see the relevance. Here is a quote from the report:

*“The United States is among the wealthiest nations in the world, but it is far from the healthiest.*

*For many years, Americans have been dying at younger ages than people in almost all other high-income countries. This health disadvantage prevails even though the U.S. spends far more per person on health care than any other nation. To gain a better understanding of this problem, the National Institute of Health asked the National Research Council and the Institute of Medicine to investigate potential reasons for the U.S. health disadvantage and to assess its larger implications.”* To see online click [HERE](#).

This report gave “National Health” as used in the Xinhua article below a whole new spin. If things continue down the present path in regard to the United States’ wealth and health, 2049 might be an underestimation.

### Xinhua Article

BEIJING - Experts at a Chinese think tank said China is likely to surpass the United States in an all-around way by 2049, the year the People's Republic of China will celebrate its centennial anniversary.

According to a report released Tuesday by the Chinese Academy of Sciences, the rejuvenation of the Chinese nation will be realized and the country will surpass the US as long as it nurtures sound "national health".

The report defines "national health" as the overall operational condition of a country, using resource sufficiency and wealth distribution as the major criteria.

National health is the greatest form of capital China can use to surpass the US, the report said.

The report said China's national health has been better than that of the US since 2007, adding that its superior health will further expand in 2019, when China is expected to become the world's biggest economy.



The report includes assessments of the national health of 100 countries, analyzing factors such as natural and economic immunity, national decision-making and enforcement capacity and national responsibilities. The countries were also classified into four categories in terms of their national health status.

China was ranked 11 with a national health status of "up to standard", while the US, Japan and Britain were given a status of "health deficient" among 37 countries.

Sweden, Finland and Australia were ranked among the top 10 countries with a status of "surplus health".

Ethiopia, Sudan, Iraq and Afghanistan were ranked at the bottom due to their "weak health condition", according to the report.

The report said that the US health status is deteriorating in tandem with its economic downturn, despite the fact that the US is still a nation of wealth and power.

China's national health is ascending due to its advantageous economic immunity, capacity for regulation and credibility, the report said. (Source: Xinhua)



## Tax Deductions for Cosmetic Advertisements

In order to answer the taxpayers' question concerning the standard of corporate income tax deduction for cosmetic, pharmaceutical and beverage manufacturers (excluding liquor), the State Administration of Taxation replied that according to Article 1 of *The Notice of Tax Deduction Policy on the Advertising and Business Promotion Expenses*, which was jointly released by the Ministry of Finance and China State Administration of Taxation, the above mentioned enterprises can enjoy pre-tax deduction if the advertising and business promotion expenses are less than 30% of the total revenue. For the part that exceeds the 30%, it can be carried forward to the next tax year. (Source: Legal Daily)

## MOH Approves Four New Resource Foods

On November 12, 2012, the Ministry of Health announced its approval of four kinds of new resource food, i.e., *Chlorella pyrenoidosa*, *Linderae aggregate leaf*, *Moringaoleifera leaf*, and *Sucrose Ployesters*. The MOH also announced that *Opuntiaficus-indica(Linn.) Millas* as ordinary food. (Source: Ministry of Health)

## Natural Skin Care Products Should be Used With Caution

In the advertisements of many cosmetics brands, slogans that contain "herbal" and "natural" are easily seen. However, a few days ago, many consumers complained that a certain brand of "BB cream" that contained *Angelica dahurica*, a prohibited substance in cosmetics, had caused black skin and color spots.

This so-called natural cosmetic that contains Angelica is very popular online, but expert says that because of its photosensitivity, the use of Angelica in cosmetic products has been explicitly prohibited since the *Hygienic Standard for Cosmetics* issued in early 2007. The *Standard*, released by the Ministry of Health, has provisions for 496 substances that are banned in cosmetic products; Angelica is one of them. The *Standard* clearly states that Angelica contains a photosensitive material called imperatorin lactone, which will cause skin photo-toxicity or photosensitivity dermatitis under the sun’s ultraviolet radiation.

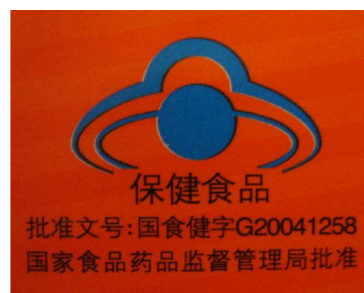
During the interview, the pharmacy expert of Traditional Chinese Medicine tells the reporter that Angelica is more generally used in clinical treatment of rhinitis and headache, but is not recommended for skin whitening.

The experts reminds the consumers that since there are still no particular standard for the “natural cosmetics” in China and abroad, it is difficult to calibrate the content of natural substance in the product. Thus, a lot of cosmetics companies use false advertising to mislead consumers in order to seek profits. There are a wide variety of natural herbs, each of which has different functions, and some are even toxic. If natural herbs are not used properly, it is likely to cause harm to human health. The expert suggests that herbal skin care products should be used with caution, and the consumers should strictly follow the doctor’s orders. (Source: Suzhou City Business News)

## SFDA Registrations 1996 – 2012

China’s State Food and Drug Administration’s registration for “health products” (dietary supplements) are typically referred to as blue hats due to the registration logo looking similar to a blue hat or crown (pictured to the right). The association wanted to take a look back on the history of registrations given out per year to both domestic and foreign health product companies. It is easy to see from the chart that foreign companies rarely attempt and/or succeed at receiving a blue hat.

Last year, the association heard time and again that SFDA is looking to make the process of getting a blue hat even more difficult. Their reasoning is that they need to get better control over the process to safe guard consumers. However, since many foreign companies are entering the market as food and not “health products”, this move by SFDA will do little in the way of “getting control” of the industry. Since food imports are under the control of China Inspection and Quarantine (AQSIQ), SFDA will continue to have little influence over food imports. This situation could be resolved if SFDA moved to a system similar to the United States, which is one of notification not registration. SFDA’s current system is costly in both time and capital. An average registration will cost in the neighborhood of US\$50 thousand and take up to two years to complete for each product (SKU). There have been cases that exceed these estimates in both time and money. This makes market entry for most foreign companies impossible. If there was a notification system, more companies would work with SFDA and gain the appropriate notification approvals thus giving SFDA more active control over the industry.



**“SFDA is looking  
to make the  
process of getting  
a blue hat even  
more difficult”**

## SFDA Registrations Approved 1996 - 2012

Year	Domestic	Foreign	Total
2012	709	12	721
2011	806	13	819
2010	790	21	811
2009	594	25	619
2008	611	36	647
2007	392	10	402
2006	744	17	761
2005	923	29	952
2004	1498	54	1552
2003	564	47	611
2002	808	46	854
2001	458	44	502
2000	741	64	805
1999	634	80	714
1998	659	67	726
1997	928	100	1028
1996	55	2	57

The first year that registration administration was transferred from the Ministry of Health to the State Food and Drug Administration

If you have China related news that you would like to share with the association for publication in its newsletter please contact us at:

[news@uschinahpa.org](mailto:news@uschinahpa.org)