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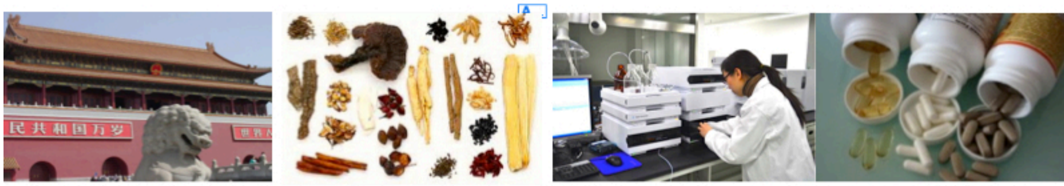

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Jilin FDA Rolled out Nine-Item System for Health Food Safety

The local regulator of Jilin province launched a system with two nine-system regulations to address the food safety issue of health food companies.

The regulations require local companies to set up nine systems including management system for ingredient, controlling system for production, quality management system, substandard product management system, sales system, recall system, staff health system, training system, complaint processing system, and safety issue addressing system.

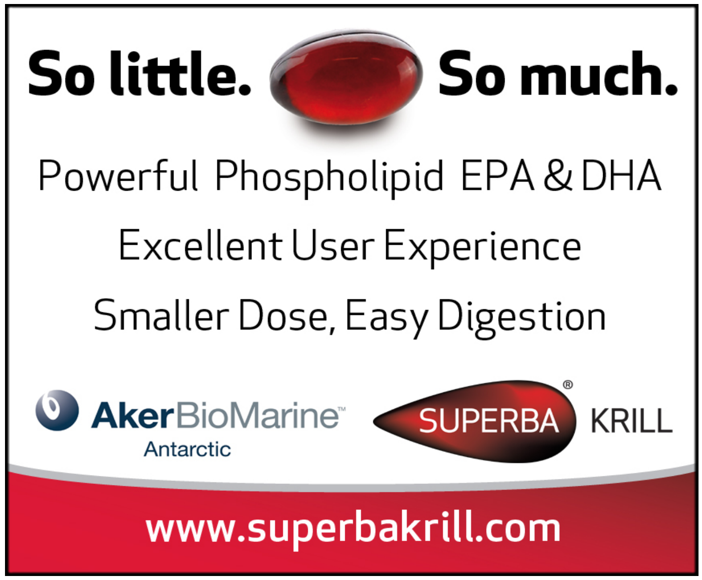
On the other hand, the companies are also asked to set up other systems including receipt system, checking system and health management system.

The regulations aim to address problems in monitoring production and sales of health food companies. (Source: Jilin.net)

Changning Spot Check GMO Rice

To better regulate GMO food and prevent illegal GMO food to be traded in the local market, the Changning FDA launched a special campaign to spot check supermarkets, restaurants, rice processing companies, and food wholesale companies for illegal GMO rice.

The special campaign targets at GMO seed and rice, and inspects by looking through records, sales receipts and



products sold in the market.

So far, the inspections have not found illegal GMO seed and rice trading in the local market of Changning.(Source: Changning News Net)

Food Safety Leadership Seminar Held in Beijing

The fifth China Food Safety Leadership Seminar was held in Beijing recently, talking about how to be innovative and more responsible regarding food safety issues.

Government departments including The Ministry of Agriculture, National Health Committee, CFDA and AQSIQ are all attending the seminar, with over 100 experts and executives from prominent food companies attending as well.

The seminar centers on topics including the residual of pesticide and heavy metal elements contained in food and tracking system of food safety.

As result of online polling and experts' assessment, a number of prominent food brands including Wahaha, Qingdao Beer and Red Bull are included into the list of Model Company in China's Food Industry. (Source: Guangming net)

Merging of Local Quality Watchogs Piloted for Food Safety

Several Chinese cities have piloted the merging of quality watchdogs to ensure food safety, which has been troubled by scandals in recent years, with the latest meat tainting of a Shanghai subsidiary of a US company.

Tianjin Municipality in north China set up the Tianjin Market and Quality Supervision Administration last Wednesday, after merging three municipal government departments -- the industry and commerce administration, quality and technical inspection as well as the food and drug administration.

The new combined market watchdog of Tianjin is the first provincial level one of its kind in the country. Similar bodies have been established in Zhoushan City in east China's Zhejiang Province, Pudong New Area in Shanghai and Shenzhen City in south China's Guangdong Province this year.

The reform will not only facilitate trade and investment, but also further improve the safety supervision of food and other commodities, said Lin Lijun, head of the Tianjin Market and Quality Supervision Administration.

Staff of the previous three government bodies will be integrated and specialized, according to Lin.

Food safety is one of big public concerns in China. It involves different supervision departments, but the efficiency and efficacy of such supervision is not ideal. The system is often compared to "rain being allocated by nine dragons," a mythical creature assigned to produce rain.

The investigation into the recent Shanghai scandal was launched after a local TV station reported in late July that Shanghai Husi Food Co., Ltd, a meat supplier owned by US-based OSI Group, mixed fresh and expired meat.

Under the new "three combined into one" model, the registration of a company will be more convenient and the divided inspection mechanism will be improved, said Ma Yunze, a professor in industry development at Tianjin-based Nankai University.

"We will set up market and quality supervision bodies at township or street levels and merge the grass-roots law enforcement teams to strengthen food and drug safety administration," said Wang Haifu, Communist Party chief of the Tianjin Market and Quality Supervision Administration.

Sun Tao, another researcher at Nankai University, said food and drug supervision is highly professionalised and thus the operation of integrated inspection forces needs careful research to ensure specialization.

The Chinese new leadership has vowed to deepen reforms in various sectors, including government administration. The effect of local piloted reforms in food safety inspection has yet to be seen.

In Shanghai, the Pudong New Area Market Supervision Administration was officially inaugurated on Jan.1. It has proved effective in strengthening law enforcement, said Chen Yanfeng, head of the administration.

The Shanghai municipal government has decided to promote the reform in its eight downtown districts. Pricing administration will also be added to the future reform.(Source: Global Times)

Changsha Authority Cracked Down Fake Cosmetics

The local FDA of Changsha launched a new round of campaign to crack down on illegal cosmetics this week.

In half a day, the campaign has spotted three illegal companies making substandard cosmetics, and four chain stores selling unauthorized imported cosmetics from South Korea.

“You can tell from the packaging of these illegal products. They are usually with vague instructions and unclear number printed to indicate the production approval,” said one official who was involved in the inspection.

The officials have found that quite a number of small stores claim to sell imported cosmetics from South Korea, but can barely present certificate required as imported products. (Source: Sanjiang Metro Daily)

Online Sales Revenue of Health Product in China to Exceed 120 billion yuan

Data show that the online sales of health food in China account for 4.8% of the total sales in the market. Experts say the percentage will grow to 30% in a decade, with 120 billion yuan grossing online.

“From 2008-2009, we have noticed that a number of e-commerce sites including JD and Yihaodian,” said Pi Taotao, CEO of Lvshou Group, a prominent health product company based in Guangzhou. “At that time, the e-commerce business was in an infant phase of development in China.”

“But now, the market is more stable and consumers are more willing to pay online, so we decide to promote our products online, said Mr. Pi.

“In the future, we will take efforts to promote our production online, and I believe that in the next three to five years, we will achieve 1:1 ratio regarding our online and offline sales,” said Mr. Pi.(Source: People.net)

China Using Antimonopoly Law to Pressure Foreign Businesses

China is using its six-year-old antimonopoly law to put foreign businesses under increasing pressure, a development that experts say will intensify as Beijing seeks greater sway over the prices paid by Chinese companies and consumers.

In recent months, Chinese antitrust officials have launched probes of companies ranging from car makers Audi and Daimler's Mercedes-Benz to technology companies Microsoft Corp. and Qualcomm Inc., but they haven't always disclosed what they are investigating.

On Monday, Chinese officials gave Microsoft another slap, warning it not to hinder their investigation. A spokeswoman for Microsoft declined to comment.

Experts say China is responding to greater awareness that the prices its people and companies pay for goods from foreign companies are often higher than those in other markets. Chinese consumers pay about $470 for the least costly version of an iPad Mini with Retina display, for instance, while U.S. consumers can buy one for $399.

Spare car parts are also pricier than they would be in other countries such as Germany, where consumers often buy them from less-expensive components suppliers, because in China many car companies insist the parts be sold only through authorized dealers. Prices for those authorized parts in China can be five to 10 times more expensive than if customers were to procure them through nonauthorized channels, said Yale Zhang, managing director of consultancy Automotive Foresight.

Some foreign companies cite rising costs for property as the reason for higher pricing. Some goods are slapped with import and luxury taxes.

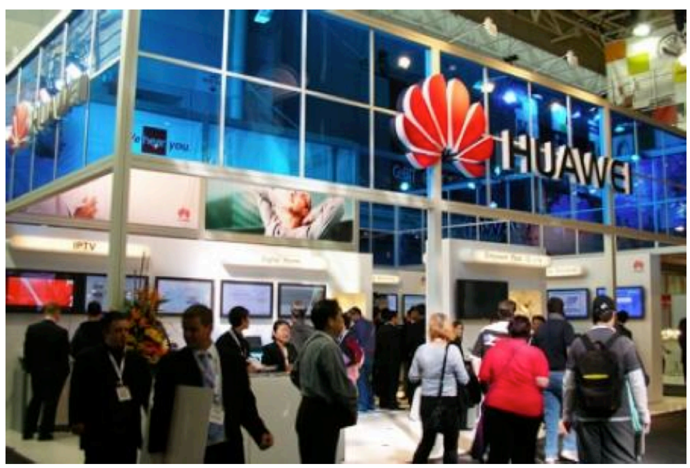
Officials "feel Chinese consumers are being exploited," said Marc Waha, a Hong Kong-based partner at law firm Norton Rose.

The rising scrutiny, particularly during the past year, stems in part from the increasing number of Chinese who go abroad and see what people pay elsewhere. Chinese state-media reports have criticized Starbucks Corp. and luxury auto makers for the prices they charge in China. Starbucks says high real-estate costs are a factor. Meanwhile, imported luxury cars also face hefty import duties.

Targets in many cases are foreign companies with a commanding presence in their markets and that lack direct Chinese competitors.

But Mr. Waha said Chinese companies stand to benefit. For example, companies such as Huawei Technologies Co., which is seeking to sell more smartphones abroad, would benefit from lower prices for Qualcomm's chips, as would state-owned telecommunications companies building out China's fourth-generation, or 4G, cellular network. "Those lodging the complaints are the Chinese businesses," said Mr. Waha.

A Huawei spokeswoman declined to comment.



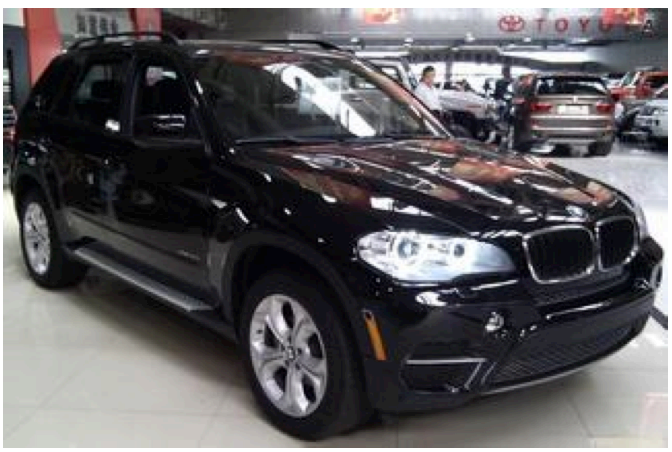
U.S. businesses have complained they are being unfairly targeted. The U.S. Chamber of Commerce in May sent a letter to U.S. Treasury Secretary Jacob

Lew and Secretary of State John Kerry that cited rising concerns over China's antitrust efforts.

Spokesmen for China's National Development and Reform Commission and the Ministry of Commerce didn't respond to requests for comment Monday.

Chinese antitrust officials argue that Beijing isn't focusing just on foreign companies. In recent years, Chinese regulators have tackled cases involving alleged antitrust activity in the market for a fiery Chinese liquor known as moutai as well as in cement. Not even the best-connected state-owned enterprises have escaped scrutiny: Officials have looked at the hold that telecom titans China Unicom (Hong Kong) Ltd. and China Telecom Corp. have over Chinese home Internet access.

Many of the companies China is targeting have faced antitrust scrutiny elsewhere. Microsoft in years past faced accusations of antitrust violations in the U.S. and Europe. Qualcomm has contended with regulators in Europe and South Korea.



"Qualcomm and Microsoft are not being investigated because they are foreign companies," said Wang Xiaoye, a Chinese antitrust expert who advised on the creation of the antimonopoly law in 2008. "It's because they have market power."

Ms. Wang said the pressure will likely intensify as regulators become more comfortable with increasingly complex cases.

Once targeted, industries and companies have little choice but to comply. Unlike in other markets, foreign companies can't expect much recourse from the courts, which are controlled by the Communist party." Despite all of the reform and progress to date, China is still a command economy driven by a political agenda that seeks to first and foremost legitimize the party in power," said James Zimmerman, former chairman of the American Chamber of Commerce China and managing partner of law firm Sheppard Mullin Richter & Hampton LLP's Beijing office.

Another challenge for foreign companies is that China enforces its antimonopoly law through three different state agencies. The Ministry of Commerce oversees mergers, while the National Development and Reform Commission, China's top economic-planning body, oversees pricing issues. The third, the State Administration of Industry and Commerce, oversees nonpricing issues such as production quotas.

One recent target of antitrust probes has been China's luxury-car market, which is dominated by foreign, especially German, brands. Together, Audi, BMW AG and Mercedes-Benz have a roughly 70% market share.

An editorial by the official Xinhua News Agency last August said foreign car makers earned exorbitant profits by dominating the market and controlling auto-parts sales.

Many of the car makers are already responding by cutting prices. Mercedes-Benz said late Sunday it would cut the costs of spare parts sold in China by an average of 15%. Last week, Audi announced price cuts for spare parts of as much as 38%; Tata Motors Co. 's Jaguar Land Rover PLC said it would cut prices for three models in its portfolio.

BMW is the only brand that still hasn't reduced prices, although analysts expect a cut is on the way. BMW declined to comment Monday.

Other probes over the past year have covered products as diverse as baby formula and contact lenses.

In June, China blocked an alliance among three European shipping lines, citing their potential market concentration. Experts compared the decision with the European Commission's 2001 move to block General Electric Co. 's proposed purchase of conglomerate Honeywell International Inc., using its own nascent antitrust laws, even though both companies were U.S.-based. (Source: WSJ)

Shanghai Consumer Goods Imports on the Rise

China's financial hub of Shanghai has witnessed brisk demand for imported consumer goods, with a sustainable growth in value, said customs authorities on Tuesday.

In the first half of this year, the value of goods imported to Shanghai reached 133.96 billion yuan (about 21.44 billion U.S. dollars), a 26.7-percent year-on-year increase, according to Shanghai customs.

Shanghai has consistently been China's top importer of consumer goods.

Returning confidence among consumers, the expansion of government policies on imports and exports, as well as cross-border electronic commerce all contributed to Shanghai's vigorous growth in this sector.

The European Union (EU) was the largest source of Shanghai's imports of consumer goods in the first half, shipping in products with a value of 71.51 billion yuan. The Association of the Southeast Asian Nations (ASEAN) was the second-largest and the United States the third.

In the period, Shanghai's top three import commodities in value were passenger vehicles, medical and healthcare products, as well as garments.(Source: Xinhua)

Dissatisfaction with Food Safety Pervasive

Most Chinese are unsatisfied with food safety in the country, according to a survey released on Thursday amid a scandal that dragged in many fast food giants.

Eighty percent of the 3,166 respondents said they are not satisfied with food safety in China, according to the survey conducted by the Beijing research company Horizon Research and Horizonkey, which polled people aged 18 to 60 in 20 cities.

Respondents said food companies are the chief culprits of poor food safety. About 60 percent said food companies have performed poorly in food safety, more so than the other groups — food industry associations (50 percent), government (29 percent) and media (26 percent).

Wang Zhutian, assistant director of the China National Center for Food Safety Risk Assessment, said the survey results suggest the government should make more efforts to hold food companies accountable for the products they provide to customers.

He urged harsher punishment for companies that produce or process tainted food and more pressure on their business partners to stop cooperating with them.(Source: China Daily)

China's Leading Online Cosmetics Retailer Shuts Third-Party Store Over Sale Of Fake Products On Its Website

Jumei.com, China's leading online cosmetic retailer, has barred a third-party vendor from selling on its website after a media investigation revealed that it was selling fake products to many e-commerce platforms in the country. Belle Boutique reportedly sold China-made knock-offs of luxury goods such as watches, clothes and bags, under popular global brand names such as Armani, Hermes and Burberry.

Jumei International Holdings, which operates the Jumei.com platform, reportedly apologized Monday and said that it has removed all products by "Belle Boutique." The company also reportedly said that it is investigating the seller to determine how it could provide exhaustive documents to certify the authenticity of the fake products.

"We sincerely apologize to all customers who bought from the supplier and will provide non-conditional product return services," the company reportedly said, according to a statement emailed to the Global Times.

According to a report by tech.qq.com, cited by the South China Morning Post, or SCMP, Belle Boutique had links to Xiangpeng Hengye, an offline store located in Sanhe in northern China's Hebei province. The report also stated that the retailer had forged several product certifications and sold counterfeit goods to leading online retailers, including JD.com, one of China's leading e-commerce site, and Amazon.cn.

The company said that, in response to the report, it has closed Xiangpeng Hengye's sales channels, and is now investigating the case.

"The selling of fake goods online and off-line, ranging from liquor, cosmetics and clothing, is very common in China," Lu Zhenwang, founder of Shanghai Wanqing Commerce Consulting, told the Global Times on Monday. (Source: Global Times)

China Updates is published weekly by the U.S. – China Health Products Association, a non-profit organization dedicated to the promotion of dietary supplements and the nutritional / functional ingredients. The association's major focus is the continued development of China's dietary supplement and nutritional ingredient industry as well as offering business services to global companies wishing to enter the China Market

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