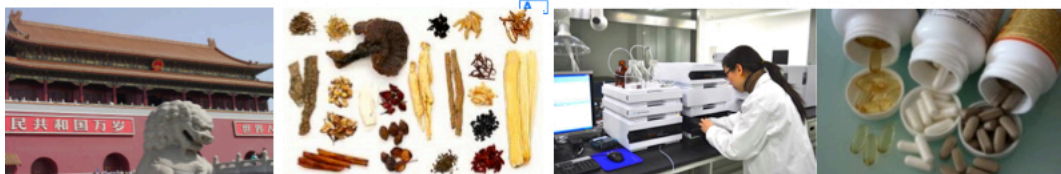


# CHINA UPDATES

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



ISSUE 117  
November 17, 2014

## IN THIS ISSUE

**China FDA Releases Draft Regulations for Nutritional Supplements**

**Baoding to Launch Checks on Local Health Food and Cosmetics Market**

**International Food Expo Kicked Off in Xinjiang**

**Costco Seeks China Path that Avoids Wal-Mart's Potholes**

**Seventh China Health Education and Health Promotion Conference kicks off**

**China Sees Tech Cure for Healthcare Woes**

**China Needs Better Think Tanks to Provide Quality Advice**

## **China FDA Releases Draft Regulations for Nutritional Supplements**

China's Food and Drug Administration released two draft documents for nutritional supplements on November 5, 2014. First is entitled, "Administrative Regulations for Nutritional Supplements" and the other "Information Requirement for Nutritional Supplements".

Both these documents deal with the ushering in of a notification or recording type system for nutritional supplements, which are defined as vitamins and minerals. This is China's first step towards modernizing their health food industry and is the result of consistent engagement and information sharing from groups like U.S. - China Health Products Association (USCHPA). Since 2010, the association has been publishing the annual dietary supplement industry position paper and shares it with China's FDA and State Council as well as the National People's Congress Legislative Office.

USCHPA and its members are in the process of translating and reviewing the above mentioned documents and will issue comments / suggestions to China FDA by the end of November 2014.

It is expected that this new category of nutritional supplement and its regulatory framework will go into effect in 2015. (Source: USCHPA)



Are you seeking a reliable partner to help you navigate and successfully enter the China dietary supplement market?

TSI has the **expertise** to help.

Contact your TSI representative today to learn more.



www.tsichina.com  
www.tsiinc.com

## Baoding to Launch Checks on Local Health Food and Cosmetics Market

To better regulate the health food and cosmetics market, the local FDA regulator has adopted three major measures when checking the local health food and cosmetics markets for the next three months.

First is to conduct research to set up a basic information archive system. The research targets at key companies of health food, drug and big supermarket. Cosmetics-wise, the research targets at cosmetics company, beauty salon and hair salon. The research aims to build an e-version of archive that records the detailed address, scale and the products sold in the company or store checked.

Second is to request the vendors and producers of the health food and cosmetics to sign a safety responsibility declaration of health food and cosmetics sales.

Third is to enhance the promotion among the public. The regulator will hand out materials to inform the local public of how to tell the difference between drug and health food, how to tell if the product they buy is legal, and how to report the illegal vendors they spot. (Source: Baoding Daily)

## International Food Expo Kicked Off in Xinjiang

The annual international Food Expo kicked off over the weekend in Xinjiang at its International Conference Center. The Expo is co-held by Urumqi local government, China Cuisine Association and China Food Association.

The Expo, which was initially launched as a food festival, aims to promote the original green resources in Xinjiang, and its location as a key area along the path of the “new silk road”.

Li Yanjun, deputy director of Urumqi government said that during the Expo, seminars that talk about the food industry and the cuisine culture along the silk road are also to be held.

**So little.**  **So much.**

Powerful Phospholipid EPA & DHA

Excellent User Experience

Smaller Dose, Easy Digestion



**AkerBioMarine™**  
Antarctic



**SUPERBA®** KRILL

[www.superbakrill.com](http://www.superbakrill.com)

Local citizens in Xinjiang can visit the expo free of charge with ID card. (Source: Tianshan.com)

## Costco Seeks China Path that Avoids Wal-Mart's Potholes

By selling directly to Chinese consumers on Alibaba's platform, a move announced Tuesday, Costco Wholesale Corp. aims to employ local knowledge and a low-cost structure to avoid missteps that caused even the world's largest retailer, Wal-Mart Stores Inc. , to stumble.

Many global retailers opening in China have struggled to find product mixes and store designs favored by local customers. Besides Wal-Mart, Best Buy , eBay and others have fallen short of expectations in one of the fastest-growing consumer markets.

Costco's virtual storefront on Alibaba Group Holding's Tmall is designed to help the warehouse store operator study consumer shopping habits with no brick-and-mortar costs and fewer risks, signaling a new approach to expanding in China.

"This shows Costco has learned from the mistakes made by companies like Wal-Mart and also those who were forced to exit the market like Home Depot ," said Anjee Solanki, national director of retail services at Colliers International.

Wal-Mart's China sales in the second quarter grew 1.1 percent, but same-store sales, a key figure, declined 1.6 percent. David Cheesewright, head of Wal-Mart's international division, acknowledged at the company's investor conference Wednesday that China remains tough even after 17 years. "We are still very much focused on building our foundations," he said.

Early steps at times have been shaky. Wal-Mart stuck with its big-box format even though Chinese consumers prefer neighborhood stores. And its stores in China, including Sam's Club warehouses, offered few high margin private-label goods until as recently as last year.

Even Wal-Mart's "Everyday Low Prices" slogan backfired. Chinese consumers equate inexpensive with unsafe and value quality as much as bargain prices, retail consultants said.



Supply-chain problems came to a head in January when Wal-Mart recalled its popular "Five Spice" donkey meat after tests showed traces of fox meat. The recall followed episodes involving tainted milk and recycled "gutter oil" sold as cooking oil in the market.

Despite the difficulties, Wal-Mart has become China's third-largest retailer, behind Sun Art Retail Group Ltd and state-backed China Resources Enterprise Ltd, according to consultant Kantar Retail.

Wal-Mart has made adjustments, too. Last

December it announced plans to boost private-label sales to a 20 percent share within a decade, and Wal-Mart has built its own distribution centers to manage product quality.

"We've done a lot of work on building trust," Cheesewright said.

Costco's decision to partner with Alibaba is designed to bring local credibility to the Issaquah, Washington-based retailer. China-based iResearch in July forecast sales of 2.76 trillion yuan (\$446.6 billion) for the year, up 45.8 percent from 2013.

Virtual storefronts are a growing business on Tmall, one of the world's fastest-growing business-to-consumer marketplaces, with a 50 percent share in China. Tmall lists more than 100,000 brands, about 2,000 of them foreign-made.

"Digital storefronts are a powerful tool to help shape what a retailer might want to do with a physical store," said Marcie Merriman, executive director of retail strategy and customer engagement at EY.

Costco is opening in China with its well-regarded and high-margin private-label Kirkland brand, which sells everything from men's shirts to laundry detergents, aimed at quality-conscious Chinese consumers.

Even so, price competition likely will be fierce with Yihaodian, a website in which Wal-Mart is majority owner. As part of an introductory "Shopping Spree" on Tmall, Costco offered four packs of Sensodyne toothpaste at 145 yuan, or \$23.68, compared with 109 yuan on Yihaodian.

Partnering with Alibaba, a symbol of China's economic maturation, may even provide political benefit, a concern at a time when foreign companies have found themselves jousting with the Chinese government.

"We believe (Costco's) worry has always been that if they got it right in China, and returns exceeded the cost of capital, they would quickly gain a new

partner in the Chinese government," Janney Capital Markets said in a note.

The tie-up with Alibaba is not without risk.

Costco's plan to rely on Tmall warehouses to reduce logistics costs and shorten delivery times may risk creating logistics problems similar to those Wal-Mart has faced.

"Letting Alibaba handle a lot of their supply chain is a good short-term solution," said Colliers' Solanki. "But (product) safety is a big issue with supply chains in China, and that has to be managed well."

Rob Howard, chief executive officer of San Francisco-based local delivery firm Grand Junction, said the Alibaba partnership could put Costco in a system that often favors local players.

"It's more of a cobbled-together, relationship-driven infrastructure," he said. "It's hard for an external person to tap into that effectively, and Alibaba has that all nailed." (Source: Dailypress.com)

## **Seventh China Health Education and Health Promotion Conference kicks off**

The seventh China Health Education and Health Promotion Conference was held in Hangzhou recently. The conference also served as a promotion for the China Health Travel activity. The conference was supervised by the National Health and Family Planning Commission (NHFPC). It was jointly hosted by the Chinese Health Education Center and Zhejiang Provincial Health and Family Planning Commission. It was co-organized by the Chinese Center for Disease Control and Prevention, Chinese Preventive Medicine Association, China Health & Medical Development Foundation, China Association of Health Promotion and Education, China Elder Health Care Association, Chinese Association on Tobacco Control, China Health Care Association and China Wisdom Health Valley. Its theme was "promote China Health Travel, upgrade people's health condition." Cui Li, vice-minister of the NHFPC, attended the conference and delivered a speech.

Cui said that health promotion is an important part of health and family planning work, which is listed as a preferred strategy for improving people's health by the WHO. China has always paid great attention to health promotion work. In recent years, governments at all levels have carried out a series of themed publicity and education, social mobilization and special events to prevent diseases and promote public health.

She stressed that health educators should strengthen health promotion ideas in their work. They should make "Health Literacy Promotion" a famous brand and work to promote China Health Travel. Tobacco control should become a breakthrough in the health intervention model. Health educators should also strengthen personnel training, promote policy innovation to suit the needs of healthcare reform and the development of the health service industry, and use new media and technology to spread health knowledge and ideas.

The conference had deep discussions regarding the China Health Travel and Health Literacy Promotion programs, as well as tobacco control and health science education. Participants also exchanged ideas in health education and promotion at home and abroad, disease education and health promotion technology, and health management. The conference also selected outstanding media, experts and authors in the 2013 China Health Travel.

Representatives from provinces, autonomous regions and municipalities; relevant people from the organizers and co-organizers; and relevant leaders from the NHFPC and its affiliated institutions attended the conference. (Source: nhfpc.gov.cn)

## **China Sees Tech Cure for Healthcare Woes**

Liu Chunming almost died after a car crash in July in Taihe, a remote county in China's southeast Jiangxi province, but survived serious abdominal injuries thanks to specialist doctors who led his treatment from 1,000 kms away.

From a central "operations room" in the eastern city



of Hangzhou, doctors diagnosed and directed treatment for the 48-year-old using live video feeds and software that shares patient scans and files to aid consultation.

Liu's case - one of a growing number of distance healthcare cases in China - reflects the rise in digital healthcare, or eHealth, to bridge the chasm between China's developed health services in large cities and its grassroots rural care.



And that's a multi-billion dollar opportunity for technology firms.

"I'm not sure what would have happened without the distance diagnosis technology," Liu said in a phone interview from his village of Xiakeng in Taihe. He has since recovered.

To be sure, technology - from electronic patient records to remote healthcare - is already widely used in developed markets such as the United States and Europe, but the sheer size and scale of China make this a huge opportunity for tech firms and a big challenge for doctors, who say China lags far behind.

China's healthcare management sector is growing at close to 40 percent a year and will hit \$38 billion in the next five years, according to local consultancy Raisewin International.

Technology is playing a growing role as Beijing overhauls a healthcare management sector blighted by chaotic patient data, underfunded rural health centres, overburdened city hospitals and a nationwide shortage of doctors.

"Technologies like remote health fit China's current situation because we have a large country with a rural-urban gap and medical resources spread unequally," said Yan Jianhua, who oversees the remote healthcare programme at the state-run Hangzhou hospital unit that treated Liu.

Government-supported programmes are looking to leverage specialised software and communication equipment to get the most out of in-demand doctors and specialists at leading hospitals.

The Hangzhou operations room, where doctors work remotely with around 160 hospitals across China, is equipped by global tech brands including Cisco Systems, Dell and Sony Corp.

China's digital healthcare makeover won't come cheap though. Experts predict a multi-billion dollar bill to bring in IT systems for patient records, develop patient-doctor interaction software and install national networks.

Private investors and big corporations are already pumping money into the sector, with investment in Chinese healthcare IT alone predicted to double to some 34 billion yuan (\$5.6 billion) by 2017, according to analytics firm IDC.

"There's a lot of interest because of China's demographics and the helpful trends in the market. Everyone's trying to get in and take as much market share as they can," said Mark Gilbraith, head of PricewaterhouseCoopers China life sciences unit, adding the adoption of healthcare technology was being driven by China's use of smartphones, an ageing population and a boom in chronic diseases



**GMP Services**  
注册服务

To learn more about NSF cGMP Services, [click here](#)  
Experts in auditing, consulting, training and testing

欲了解更多服务信息请点击  
审核、咨询、培训和测试专家团队

as wealth levels rise.

Chinese internet giant Tencent Holdings led a \$100 million round of funding into healthcare platform Guahao.com on Monday and last month took a stake in popular drug information platform DXY.com. E-commerce group Alibaba invested in healthcare data firm CITIC 21CN Co Ltd in January.

From a standing start just a couple of years ago, these kinds of digital applications have attracted millions of users as doctors, and patients, become increasingly tech savvy.

Doctors now spend close to 13 hours a week online, including interacting with peers and patients, up from 11 hours in 2012, according to a report from Kantar Health and DXY.com. Over 80 percent use mobile phones to go online, more than double the number two years ago.

Other international companies to get in to this market include IBM Corp, Microsoft Corp, BT Group and Siemens AG. Locally, China Mobile , Huawei Technology Co Ltd and ZTE Corp are competing, too.

"There is clear adoption of tele-health and mobile health in remote locations sprouting up across China," said Kendall Ho, an eHealth expert at the University of British Columbia, which is working on a project in southern China.

China's healthcare system struggles with a dearth of doctors and a significant gap between the level of quality in urban and rural hospitals. Patients often travel hundreds of miles to see a specialist in one of the big city centres.

Low pay and an often volatile relationship between overworked doctors and frustrated patients has seen the number of medical professionals fall in the last decade, according to a Deutsche Bank report, leaving many of China's almost 25,000 hospitals short of doctors.

A lack of centralized information systems for patient data, uneven distribution of resources and issues over patient registration, booking

appointments and payment have all created a space for technology, said Xu Ruixue, director of public affairs solutions at ZTE, a Chinese telecoms equipment maker. Beijing plans to establish electronic health records to cover three-quarters of the population by next year.

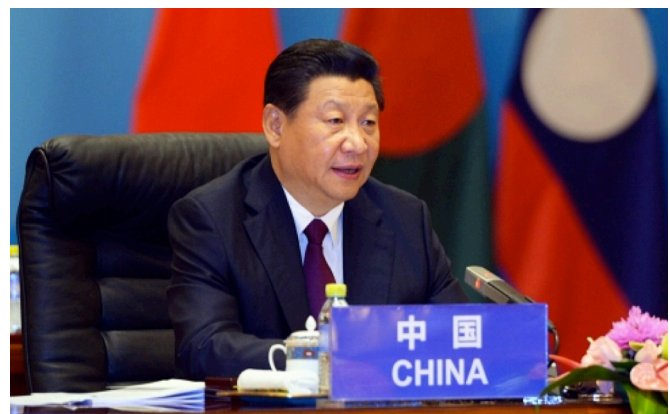
"Information technology has a key role to play in resolving these challenges," said Xu, adding ZTE is expanding its work in hospital information systems and remote healthcare.

Other firms are pushing forward trials including healthcare 'clouds' to store and share information, online hospitals for self-diagnosis, tele-health and mobile health apps.

This will all take time, and money.

An IT overhaul to Britain's National Health Service cost tens of billions of dollars and came under fire for inefficiencies. China's near 1.4 billion population dwarfs the UK's 64 million. (Source: China Daily)

### **China Needs Better Think Tanks to Provide Quality Advice**



Governments generally don't like surprises. Hence the maxim, not entirely in jest, not to order an inquiry without knowing the outcome. But good governments can turn fearless advice to advantage in framing and planning policy. The contradiction echoes in President Xi Jinping's call for a new type of Chinese think tank that can compete with American ones in spreading

influence abroad and helping refine and inform policymaking at home. At the same time, however, the leadership is demanding greater political correctness from researchers.

Indeed, Xi told a meeting of the Communist Party's leading group on overall reform that the new think tanks should be led by the party and adhere to its ideology. This is not easily reconciled with academic freedom and independent thinking essential to quality advice. As a result, say some experts, even ideas that promise to be effective in addressing national problems might be shelved if they conflict with ideology.

From past emperors to today's leaders, rulers have needed honest and frank advice to make informed decisions. Unfortunately, the way China's think tanks are organised they function more like government departments. Researchers risk the disapproval of officials and damage to career prospects by pushing ideas that conflict with current policy. Instead they produce work that reflects the likes and dislikes of leaders, who in turn are led into a false sense of complacency.

If China is to successfully run the world's second-largest economy and play a more important global role, government needs to be better informed. Leaders need useful, independent advice rather than the output of government-owned think tanks. That said, Xi's vision of institutions that contribute to "modernised governance" is taken to refer to best practice, including transparency, accountability, effective policy and efficient implementation. This is certainly needed to tackle the challenges of an increasingly complex environment for economic, social and political development. (Source: South China Morning Post)

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

If you want to learn more about the association and how it can help your business, contact

us at: [info@uschinahpa.org](mailto:info@uschinahpa.org)

If have China related news that you would like to share with the association for publication

contact us at: [news@uschinahpa.org](mailto:news@uschinahpa.org)