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China Medicine Industry Association? Fake!

According to reports from Xinhua, another 100 copycat industry associations were exposed in a blacklist.

Over ten of the listed associations are health related, which are very active in the industry, including China TCM Company Management Association, China Medicine Industry Management Association, China Food and Drug Industry Association, China Medicine and Equipment Management Association, China Medicine Sales Management Association.

Copycat industry groups have been developing in the local health industry for over a decade. These groups cheated quite a number of companies, even local governments. (Source: sohu)

Sichuan Launched Special Campaign on Health Food

Recently, the local food and drug regulators in Sichuan province kicked off a special campaign to target at health food market.

The inspectors have checked a key health food wholesale market and promote legal knowledge of health food in the market.

The inspection specifically asks for qualification certificate, import record, quality report and receipt of related sales from the vendors. Over 30 vendors in the wholesale market were specifically inspected.

Problems including illegal additives and false advertisement were spotted in the campaign. (Source: China Food Tech)

40 Health Food Companies Asked to Renovate

According to CFDA, 40 health food companies were asked by the state regulator to renovate after being spotted with problems.

The information was in a recent list released by the state food and drug regulator about food companies who are to be specifically inspected in 2016.

Zhu Yi, professor with China Agriculture University, said that a major issue in the local health food industry is false advertisement. Health food which are promoted by the advertisers are very different from what the health food really is.

Mr. Zhu said that so far China has over 2500 health food companies who are with production approval. (Source: zznews)

China Eases Path for Foreign Drugmakers' Hepatitis C Treatments

China will grant four global drug companies priority-review status to launch groundbreaking new hepatitis C treatments in China, a rare move to open the lucrative market to foreign players.

China's Food and Drug Administration expedites domestic drug applications to encourage innovation. But its lengthy drug-approval process for foreign companies means none of the direct-acting antiviral agents that have been shown to cure more than 90% of hepatitis C patients within a few months have been approved in China, which has among the highest rates of the disease in the world with an estimated 10 million people infected.

Chinese patients tired of old-generation therapies such as interferon injections have increasingly traveled overseas to access the new therapies.

Hepatitis C treatments from Gilead Sciences Inc., AbbVie Inc., Bristol-Myers Squibb Co and Janssen Pharmaceuticals Inc.'s Chinese joint venture Xian Janssen are now expected to enter the world's second-largest pharmaceuticals market in a shorter time, according to an announcement from the Center for Drug Evaluation this week. Two domestic companies and a Taiwanese company also will get priority review-status for hepatitis C drugs.

Industry experts say priority-review status doesn't guarantee approval but welcomed the move.

" It shows that the CFDA is serious about prioritizing important new innovative medicines that address real unmet medical need or improve substantially on what's currently available, whether they originate in domestic or [global] pharma companies," said Laura Nelson Carney, senior research analyst at Bernstein Research.

In a rare response to a request to comment on its strategy, the CFDA said it welcomes innovative drugs to enter China, "the earlier, the better." But it stressed that speed shouldn't trump quality and that the review process would follow strict standards.

Spokespeople for Gilead Sciences, AbbVie, Xian Janssen and Bristol-Myers Squibb all welcomed the decision and said they were looking forward to bringing new hepatitis C treatments to people in China.

It is unclear how much sooner the foreign drugs will reach the Chinese patients. The drug regulator says it will start the review process within 10 days for drugs that have been prioritized. On average, standard applications to start trials take about 17 months while applications to market drugs take a further 20 months, according to the analysis by IMS Health.

Since a policy was enacted in February to prioritize innovative treatments for a number of diseases, including viral hepatitis, AIDS and tuberculosis, several domestic companies have secured priority status. The latest batch of companies was the first including foreign ones.

The treatments must show significant advantage over drugs already on the market.

The policy also encourages foreign companies to manufacture drugs in China, saying companies will qualify for priority treatment if they submit applications for approvals in China simultaneously with U.S. and European Union approvals and use the same production standards as in those markets.

Global drugmakers have long complained that the delay of drug approvals in China has squeezed their profits. The sales of off-patent branded drugs are still the main source of revenue for global companies in China, partly because they are of better quality than domestic generic drugs and partly because the long approval process means companies only have a short window to profit from patented brand drugs before patents expire.

The Chinese drug regulator has pledged to lift the quality of domestic generics as part of an effort to bring down drug prices and bring them more in line with branded drugs from foreign companies.

Some global drugmakers have shifted focus away from mature drugs in China toward innovative ones. In February, British pharmaceutical giant AstraZeneca PLC sold the regional commercial rights of two best-selling heart drugs, Plendil and Imdur, to China Medical System Holdings Ltd. for $310 million and $190 million respectively. The company also disclosed that it is developing three innovative products in China via local manufacturing. (Source: WSJ)

Study Shows Consumers Shifting Toward More High-End Products

Chinese consumer confidence has remained surprisingly resilient over the past three years despite the slowing economic growth, as a result of more selective and careful spending, according to a new report from McKinsey & Co.

Daniel Zipser, partner in McKinsey's Shanghai office and leader of its China consumer and retail practice, said shoppers have been shifting their focus to premium segments, away from what are considered mass-produced items.

Half of the respondents in the McKinsey's 2016 China Consumer Report said they look specifically for the best, most expensive products, a significant increase on previous years. The same share said they are allocating more of their income to lifestyle services and experience spending.

"Chinese consumer trends tend to shift in an instant, thanks to the contribution of social media, and at the moment they have turned toward premium products," said Zipser.

The research was gathered from 10,000, aged between 18 and 65 in 44 cities, who were given 60-minute face-to-face interviews.

Zipser said a rising proportion of Chinese consumers are also focusing their loyalty onto fewer brands, and the number willing to switch to brand names outside their "short list" is dropped sharply.

Gong Fang, another partner in McKinsey's Shanghai office, said in the apparel sector, the number of consumers willing to consider a brand they hadn't bought before, dropped from 40 percent in 2012 to just below 30 percent last year.

"It is essential for both international and domestic brands to understand and respond to such changes in Chinese spending habits," said Gong.

Another major trend was that more Chinese consumers are spending money outside China during overseas trips.

The study suggested 70 million Chinese traveled overseas in 2015, making 1.5 trips on average, with shopping an integral part of the experience.

Of those, 80 percent made purchases, and nearly 30 percent actually chose destinations based on their shopping opportunities.

Among international travelers, around half make their purchases of watches and handbags, while apparel and cosmetics were the most frequently bought categories.

"Overseas shopping will remain popular among Chinese consumers who are mostly taking on trips as groups and family units," said Gong. (Source: China Daily)

China's New Import Tax Regulations Explained

New taxes on imported goods bought online have created some controversy in China with many fearing that the prices of imported necessities as well as luxury items will soar. The new taxes were introduced by the Chinese Ministry of Finance, the General Administration of Customs and the State Administration of Taxation and came into effect on April 8.

Retailers of imported goods and customers have reacted with mixed feelings about the new tariffs and social media has also spread rumors fueling the controversy.

Some Chinese mothers had been stockpiling foreign baby formula products before the new taxes were introduced believing that the taxes on baby formula would increase by a large amount.

And a photograph of a traveler apparently dumping a large amount of foreign purchases at an airport so that he wouldn't have to pay the tax went viral - later it turned out to be a hoax.

So exactly what are the new taxes and how will they affect ordinary people? The Global Times talked to experts and industry insiders to get some insight into the new regulations.

The new import taxes will have the biggest impact on imported e-commerce retailers. Previously overseas goods purchased through e-commerce platforms were treated as "personal postal articles" which enjoyed a lower tax rate than conventionally imported goods. Taxes under 50 yuan ($7.72) were also waived.

Zhang Bin, a research fellow of the Chinese Academy of Social Sciences said in an interview with business.sohu.com that the parcel tax was not intended to apply to commercial trading which is exactly what online retailing has become and authorities believed this anomaly was unfair for conventional importers and domestic producers.

Under the new rules, overseas goods purchased through e-commerce platforms are subject to import duties as well as value added tax (VAT) and consumption tax in China. This is expected to drive up prices on imported goods on online shopping platforms.

These tariff increases have pushed some e-commerce operators to introduce new measures to keep their customers happy. Mia.com, an e-commerce website specializing in imported baby and maternity products announced that it will cover the taxes for imported milk power and diapers for its customers.

A public relations officer with Mia.com told the Global Times that tax pressures were already burdening customers. She said that customers previously hadn't needed to pay tax on a package of 100-yuan diapers, but under the new rules, the same package of diapers has an 11.9 percent tax. This means that customers now have to pay 111.90 yuan for the diapers. But, she said, her company has pledged to cover the extra taxes.

And Liu Peng, the general manager of Tmall International, Alibaba's platform for cross-border commerce, told the Xinhua News Agency that many of the platform's retailers would keep their prices unchanged by trimming their own profits.

Now a single import purchase can only be worth a maximum of 2,000 yuan per transaction with an annual limit of 20,000 yuan per person on goods that will not be taxed. Goods that exceed these limits will be levied the full general import duty.

The Mia.com spokeswoman stressed that the 20,000-yuan annual limit is the total price of goods a customer can buy on all imported e-commerce platforms, not just from a single platform.

"The authorities keep records of individuals' import transactions. If a consumer has used up the 20,000-yuan annual quota, then when he or she purchases any other foreign goods online, the retailer will not be able to clear the product from customs without paying tax," she said.

She explained how online importers work with customs in China. "Goods imported through online retailers are usually kept in bonded areas supervised by China customs. When a customer buys an imported product on an e-commerce platform, the retailer packs the product, and the parcel is checked by customs staff before it is delivered to the buyer," she said.

China has enjoyed a booming e-commerce importation sector since 2014. Statistics show that there are more than 5,000 registered importing e-commerce platforms in China.

The Ministry of Commerce has also predicted that imported e-commerce products in 2016 will be worth 6.5 trillion yuan and will soon account for 20 percent of China's foreign trade. Despite the rapid development, the industry still lacks proper supervision.

Mo Daiqing, a senior analyst with the China E-Commerce Research Center, told the Global Times the new policy is expected to create a more orderly e-commerce importation sector.

"The new regulations could prevent tax evasion, because under the previous policy some e-commerce operators took advantage of the postal article tax and used methods like repackaging and mailing products separately to avoid tax," Mo said.

She added that many retailers had sold cheaper products free of tax, but the tax rates for these low-end products would increase, and this could encourage retailers to sell more high-end products that attract lower taxes under the new regulations. This would likely bring consumers a wider selection of foreign products.

While the new rules have brought some worries and some hope to e-commerce platform operators, individual online retailers of foreign goods seem unconcerned about the new tax rules.

Taobao show owner Liu Ming (pseudonymous) sells New Zealand goods like skincare and health care products, and said her business has not been affected by the new regulations.

"Spending on skincare or healthcare products and milk powder does not account for a large proportion of the household budget. Even if there is a small increase in the tax, I think customers will still want to buy high-quality and trusted foreign products," Liu said.

The new regulations have also changed the rates of the personal postal articles tax. Under these new tax rates, the tax on cheaper goods like baby products and food as well as luxury goods costing more than 2,000 yuan will increase, while taxes on products like cosmetics and clothes (within certain price ranges) will drop.

Asked whether she was under the pressure to raise her prices, Liu said some of her prices might increase slightly but this was not because of the new taxes.

Liu usually pays New Zealand express companies to transport goods from New Zealand to China, but recently these companies have changed the number of products that can be packed in one parcel.

"I used to put several items in the same parcel, but now I have to put fewer things in parcels to avoid extra tax. And this is increasing my delivery costs," Liu said. "I used to pack six cans of milk powder in the one box, but now I am only allowed to put three cans. Because of the rising transport costs, I have to charge six to 10 yuan more for each can of milk powder."

But she said even with the added cost, the price of her milk powder was still lower than similar products sold in Chinese supermarkets. Liu said she didn't know how her express companies dealt with customs or paid taxes.

Another Taobao shop owner Zhang Xin (pseudonymous) who sells Japanese cosmetic and skincare products pointed out that the new tax regulations have changed the way she delivers her products.

"I used to mail large quantities of Japanese goods from a local post office to China and then ask my partner in China to deliver these to the individual customers," Zhang said. "But now since Chinese Customs have tightened the checks on goods sent to China, I tend to use direct delivery services and mail smaller parcels from Japan to each Chinese client to avoid the tax."

She added the increase delivery fees would be passed on to customers so they would not affect her profits.

An anonymous industry insider said the new import taxes would have little effect on retailers that use importing delivery services, but would seriously affect the business of personal customers like international airline crew, overseas tour guides and tourists.

Under the new regulations goods worth a maximum 5,000 yuan in reasonable quantities for personal use do not have to be declared.

Recently China's customs officers have tightened checks on the amount of overseas products travelers are bringing into China. (Source: Global Times)

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