



# CHINA UPDATES

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## Dongying Launches Education campaign on Organic Food

The local market regulator at Dongying recently launched an education campaign to teach the local consumers how to identify and choose different organic products.

The officials sent out booklets in shopping malls to tell the local consumers of what organic food is, the difference between organic food and green food, and how to identify organic food.

An often asked question is the difference of organic food and general food. Officials suggested that consumers to buy organic food from major shopping malls and supermarkets, and pay attention to the logo of organic food over the product package, and can dial in government office numbers to check the information displayed over the package. (Source:[cqn.com](http://cqn.com))

## China Prosecutors Told to Improve Handling of Health-Related Crimes

China's Procurator-General Cao Jianming urged prosecutors at all levels to intensify efforts to deal with health-related crimes to better safeguard the lawful rights and interests of medical workers.

Cao, head of the Supreme People's Procuratorate (SPP), made the remarks on Tuesday during a symposium with representatives of the National People's Congress and members of the Chinese People's Political Consultative Conference



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National Committee in the health field. Cao stressed that crimes that severely disrupt the social order should be strictly punished, including deliberately injuring, killing, insulting and lodging false accusations against medical workers as well as other acts that restrict the freedom of medical workers or endanger the public order in health institutions.

In particular, he stressed a focus on using the Internet to incite doctor-patient conflicts and trigger mass incidents that could have severe consequences. Prosecutors were also urged to cooperate with other government departments to eliminate illegal medical practice, health-related fraud and the manufacturing and sale of counterfeit or substandard medicines targeting pregnant women, children and critically ill patients. (Source: Xinhua)

### Jinghua Spot Check Health Product Seminar

The local market regulator of Jinghua, Zhejiang province said that during a recent spot check over health product seminars, many organizers are found to have conducted false advertisement, who have been punished with a penalty of over 100,000 yuan.


In the first half this year, the local market regulators have received 222 complaint reports on health food or medical equipment. The accusations include the vendors selling products in the name of a certain medical institutions or research institutions, via health teach-in or promotion over phone calls.

"Quite a number of consumers, especially the elderly ones, thought that health products are like medical products with magic power and believed in those false advertisement," said Shan Danfeng, chief of health food and cosmetics department with local market supervision bureau.

Since this June, the local market regulators have checked nearly 5000 vendors and asked 67 of them to modify accordingly. (Source: [cqn.com](http://cqn.com))

### China Lacks for Pharmacy for Kids

In a recent report about the safety issue of medicines

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for kids, it is said that only about 60 out of the 3500 drugs that are currently available in China are specifically designed for kids, while children patients account for nearly 20% of the total number of patients in China.

by 2014, China has about 230 million kids, and the drug inadequacy problem is crying for solution.

So far there are 1098 kinds of drugs for kids complied in the catalog of China's 15 major hospitals, while only 45 kinds of them are specifically designed for kids to use. (Source: Anhui News)

### The Making of China's Consumer Society

China's transformation from a manufacturing-driven and export-led economy to one underpinned by services and domestic consumption is firmly underway. And that's good news not just for China, but also for the future of the global economy.

The 2016-17 edition of the Blue Book of China's Commercial Sector by Fung Business Intelligence and the Chinese Academy of Social Sciences maps the change. China's retail markets reached CN¥30 trillion (\$4.6 trillion) in 2015, after more than a decade of double-digit growth. Household

consumption has begun to climb, even as the pace of investment has fallen, and now exceeds 60% of GDP. Though the consumption growth rate has slowed to 10.7%, the Blue Book projects that China's domestic market may reach CN¥50 trillion by 2020.



Sinan Ülgen engages the views of Carl Bildt, Dani Rodrik, Marietje Schaake, and others on the future of one of the world's most strategically important countries in the aftermath of July's failed coup.

A key driver of this transformation has been Internet technology. Building on heavy investments in public infrastructure, such as ports, airports, roads, rail, and telecommunications, the Internet is now expanding rapidly the range of choices available to Chinese consumers, while lowering costs and accelerating delivery.

As a result, China's online retail sales have surged in recent years, from 6.3% of total retail sales in 2012 to 12.9% by 2015. By 2020, 40% of all retail transactions in China may be conducted online. Online sales via mobile phones have jumped from only 1.5% in 2011 to 55.5% in 2015, and may reach 73.8% by 2018.

China has now overtaken the United States to build the world's largest online retail market. With a

growth rate of some 33%, it is also the fastest-growing such market. And despite growth in Internet use – the number of connected Chinese has risen from 253 million in 2008 to 688 million last year – there is plenty of room for further expansion.

This progress reflects innovations that enable broad-based consumption without the construction and maintenance of expensive brick-and-mortar outlets. In fact, growth in mobile sales has been driven by lower-income consumers, particularly in rural areas, where more than 81% of Internet use occurs via mobile devices.

One key innovation has been multi-sided platforms like Alibaba, which, by providing access to production, logistics, distribution, and payments, challenge traditional business models – and with considerable success. In the second quarter of 2016, Alibaba announced that its revenue from China's retail market had increased by 49% year on year; another online platform, Tencent, reported a 52% increase.

By connecting small and medium-size enterprises (which account for 80% of employment in China) with the consumer base, such platforms erode some of the competitive advantage of large state-owned enterprises (SOEs). Indeed, while the returns from China's Internet retailing revolution have been highly concentrated, for once this concentration has not been in the state sector.

In online retailing via mobile devices, Alibaba held an 84.2% share of the market last year, with the next largest online retailer, JD.com, capturing just 5.7%. In the business-to-consumer market, Alibaba's Tmall claimed a 58% market share in the third quarter of 2015, with JD.com taking just 22.9%. In third-party online payment services, Alipay held

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47.5% of the market, while Tenpay captured 20%, and UnionPay, the only service developed by the banking community, had 10.9%.

As a result, SOEs, which have long specialized in single markets or products, have now begun to recognize that they need to re-tool to compete both in China and in global markets. Given that SOE reform has long been on China's agenda, this extra impetus may prove beneficial. But the challenge of determining how to create a level playing field for healthy competition and improve capital allocation in the Internet age remains.

It is not just China's large companies that need to rethink their business models. As China's e-commerce platforms become increasingly global, they may erode the dominance of giant multinationals in international trade. Already in 2015, China's cross-border e-commerce amounted to an estimated ¥5.2 trillion, or 17.6% of the country's total trade; it may reach ¥8 trillion, or 23% of total trade, by next year.

All of this growth is great news for China; indeed, at a time of slowing performance in many traditional sectors, online retailing could be an economic lifesaver. But it also represents a major challenge for a government that has long relied on top-down decision-making.

China's e-commerce revolution enables the country's consumers to decide where to put their money. They can choose not only what kinds of goods and services they deem worthwhile, but also where to live and receive an education. As a result, they have become a key driver behind the transformation of the housing market, supply chains, finance, and even monetary policy.

The task for China's leaders is to respond more effectively to their citizens' needs and desires, including by accelerating progress on economic reform. Specifically, they must phase out obsolete supply chains saddled with overcapacity, bad debts, and falling employment, while taxing the winners in the e-commerce game. These imperatives are challenging traditional approaches to monetary, fiscal, industrial, environmental, and social policy, while testing the capacity of the bureaucracy and political system.

China's transformation into a consumer society will have profound implications for domestic and global suppliers and distributors of goods and services. At first, it might hurt some of China's trading partners, particularly the emerging economies that have long depended on Chinese demand for their commodity exports. The decline in Chinese imports has already contributed to a decline in commodity prices. Moreover, foreign importers may find that Chinese-manufactured consumer goods now cater more to local tastes and preferences.

Whatever challenges emerge, the fact is that a prosperous China, underpinned by local consumers, will contribute to – and shape – a prosperous global economy. We can thank e-commerce for that. ( Source: China Daily )

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## Cross-border E-commerce Luring Chinese Shoppers, Global Traders



In a conference room at the international exhibition center in the southern coastal city of Xiamen, Phil Teng, vice president with Amazon Global Logistics China, is answering questions about cross-border delivery services.

From deliveries during peak season to border clearance, representatives from over 100 countries who attended an event on cross-border e-commerce during the ongoing 19th China International Fair for Investment & Trade were keen to find ways to improve their services.

International e-commerce is a huge market, and competition to attract global consumers, especially Chinese shoppers, is fierce.

"Global trade growth has been slower than economic growth for four years while in comparison, cross-border e-commerce grew fast because it reduced trade costs and streamlined the international trade chain," said Lu Pengqi, deputy head with China Council for the Promotion of International Trade.

China's total transaction volume was 5.4 trillion

yuan (810 billion U.S. dollars) in 2015, up 28.6 percent year on year, according to Lu.

Estimates say this will hit 12 trillion yuan by 2020, when half of China's digital shoppers -- or more than a quarter of the 1.4 billion who live here -- will be buying foreign products online.

A report released by Alibaba and consultancy firm Accenture last year predicted that international e-commerce retail transactions would post a compound annual growth rate of 27.3 percent by 2020.

Alibaba's proposal for an Electronic World Trade Platform (eWTP) was mentioned in the communique of the just-concluded G20 Hangzhou Summit. The communique declared support for policies that would encourage firms to take full advantage of the global value chain and improve their online presence.

"By promoting digital trade, we will accumulate transaction data, which will help improve enterprises' credit performance and efficiency, thus, helping them with financing and other resources," said Ren Geng, general manager with Alibaba's cross-border division.

For small-and-medium-sized enterprises, international e-commerce means new market opportunities and a larger customer base, while the fledgling business-to-business (B2B) international e-commerce market has yet to fully capitalize on the opportunities, observed Scott Ferguson, CEO with the World Trade Centers Association.

Anna Kuzmina, chief commercial officer with Yandex Money, a leading payment service provider in Russia, said that Russia's e-commerce market had exploded in recent years thanks to e-commerce



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platforms such as Alibaba.

Localization remains crucial to cross-border e-commerce development in foreign markets.

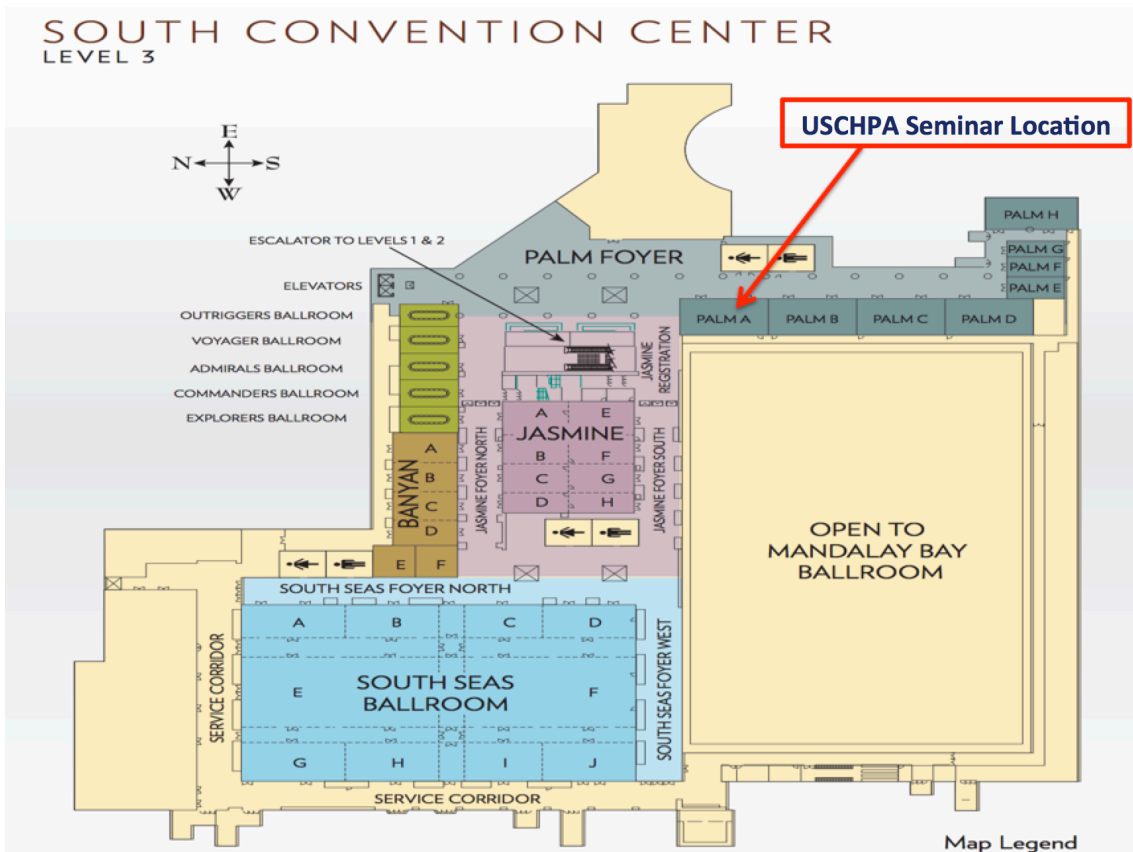
Chinese companies should be aware of foreign consumers' shopping habits and commercial culture, adjust their marketing strategies and work with local companies along the industrial value chain to help them expand into the local market, Kuzmina said.

"At the end of the day, business is something between people. Human interaction will never become obsolete even when information and technology are changing our world," Ferguson said. (Source: Xinhua)

### Supply Side West: China Ingredient and Supplement Regulatory Seminar

China's health product industry has been under going some dramatic regulatory changes over the last year. These legislative movements have affected and will continue to shape the way industry conducts business in China. These new regulations have been hard to swallow for many companies especially global players already in the market and/or looking to get in. China's Food Safety Law was implemented on October 1, 2015. However, China's FDA is still rolling out regulations that affect supplements.

With that in mind, U.S.-China Health Products Association is organizing a free seminar with its sponsoring partners NSF International and TSI Group to bring the latest updates and clarity to one of the world's most challenging markets. The association and seminar sponsors have accumulated decades of "on the ground" experience, which they'll be sharing during the seminar.



# CHINA INGREDIENT & SUPPLEMENT INDUSTRY

## What's the Latest?



**October 6, 2016**  
**3:15 – 5:00pm**  
Mandalay Bay Las Vegas  
South Convention Center  
Level 3 Room: Palm A

With the implementation of China's new Food Safety Law on October 1, 2015, the nutritional ingredient and dietary supplement regulatory environment is under going significant changes that have and will continue to affect foreign companies.

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For more details, contact USCHPA: [info@uschinahpa.org](mailto:info@uschinahpa.org)



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*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 nutritional ingredients. The association's major focus is the continued development of China's overall natural health product industry as well as offer business services to its global members.*

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