



# CHINA UPDATES

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## Expo West: China Supplement Regulatory Seminar 2017

The U.S.-China HPA will be holding its annual China Dietary Supplement Regulatory and Market Seminar during Natural Products Expo West in Anaheim, California at the Anaheim Marriott.

The seminar will take place Saturday March 11, 2017 from 3:30 – 5:00pm in the Marriott’s Marquis Northeast Room. The seminar is free to attendees of Expo West.

The association will be joined by its partners NSF, Alibaba, China Gate, and ShunFeng Express to discuss the latest in regulatory developments, cross border e-commerce, quality assurance, market environment and logistics. To learn more, visit the association’s website by clicking [HERE](#).



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## CFDA on Health Food Registration Review

The state food and drug regulator released details of health food registration review last November. To enable the process of health food registration review to meet the national standard, CFDA is to specify some details as below:

First, after the release of catalog of health functions that are allowed to be claimed by health food, all the products that are processed as managed by filing will still be managed that way.

Those new products that are managed by registration as well as those applied for renewing registration, will be reviewed by the new guidance per product technology and process.

Those products which are processed to change into registration management and technology transfer will still be processed based on the original requirement, and will be granted with approval certificate with current format. (Source: CFDA)

## China's New Food Safety Standard Systems Formed

According to a report submitted by the Standing Committee of National People's Congress to the State Council, by the end of last year, China would have nearly 1100 national food safety standards that cover 20,000 indexes, which covers most food varieties and major danger elements.

The national health committee is leading in coordinating nearly 500 items of food standard and will co-release more with other government departments including CFDA and Ministry of Agriculture.

CFDA is in charge of revising the detailed regulations of food safety law, which are being reviewed by the State Council. The regulations aim to improve the management capability of food safety, the responsibility of local governments, and implement the strictest food safety law.

The report says that by efforts in 5 to 15 years, a food

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safety management system compatible with a well-being society should be set up in China.

The report also says that by the end of last October, the inspectors nationwide have spot checked 915,000 batches of products, with the standard rate to be 97.5%. (Source: Xinhua)

## Qinghai's New Regulation on Food Processing and Sales Takes Effect

The provincial government of Qinghai province explained its latest regulation on street vendor and small food workshop at a recent press conference.

The regulators said at the briefing that the local government had stepped up efforts in regulating the local food market, which has long suffered from the unprofessional food workshops that are scattered province-wide. The regulator said the aims to legalize the measures in regulating these workshops.

The specific measures include setting up approval system of workshops, which requires workshops to acquire official approval before operating. The workshops should also record the sales and procurement of ingredient, give physical test to each of its staffs.

A recall system should also be set up to punish the illegal vendors and recall the substandard food sold in the market.

The system also encourages consumers to report on the illegal conduct in the local food market. (Source: Qinghai Daily)

## China's Next Pilot Trade Zones to Focus on Inland Area

The Chinese government in 2017 is to add seven pilot trade zones where economic boosts are most needed -- in inland regions.

The areas are the provinces of Sichuan, Hubei, Henan, Shaanxi, Liaoning and Zhejiang as well as the municipality of Chongqing, according to the State Council's basic policy agreed upon in the summer.

Five of the seven regions are inland. The local governments are currently formulating how to loosen regulations to best cash in on each place's characteristics. The details will have to be finalized soon so that the trade zones can start operating next year.

In 2013, Shanghai became the country's first cross-border trade zone. The idea, hatched in Beijing, was to discard certain regulations in the hopes of creating new financial and trade services as well as jobs while attracting foreign investment. There was also a focus on e-commerce.

The city of Tianjin was the country's second free-trade zone, followed by the provinces of Guangdong and Fujian. All are coastal areas. China's inland economies lag those of the country's coastal regions.

"We will realize economic development by opening up these regions to foreign investors," Commerce Minister Gao Hucheng said.

In 2013, President Xi Jinping launched his New Silk Road initiative -- a massive spending spree on infrastructure for trade routes that will connect China and Europe. Known as the "One Belt, One

Road" initiative, it is also meant to sap the U.S.'s global influence.

The initiative will also help Beijing strengthen its political ties in Southeast Asia and Central Asia.

Now China is placing the seven new economic zones as starting points for what it hopes to be a rush of exports to much of Asia and Europe.

Many foreign companies, however, doubt the new designations will draw the expected investments.

In the established zones, the time needed for goods to clear customs has indeed been slashed, and the screening process for setting up new companies has

been shortened. But some companies say the zones actually offer no investor benefit since areas outside the zones have also become more efficient. (Source: Nikkei.com)

## Foreign Brands Rush into Cross-Border E-Commerce

The year 2016 witnessed foreign brands making an aggressive foray into China's e-commerce market, data from Tmall Global, a cross-border online bazaar under Alibaba Group Holding, showed on Wednesday.

It said 14,500 overseas brands from 63 countries and regions were lured to open stores on Tmall Global so far this year. Among them, more than 80 percent of the brands were making their first entry into China, according to a press release the country's leading cross-border site sent to the Global Times on Wednesday.

In the process, the number of categories sold on Tmall Global grew nearly 50 percent year-on-year to 3,700 in 2016, said the press release.

Experts said that Chinese consumers' increasing



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demand for overseas products will attract more foreign brands.



"E-commerce can be a cost-efficient method for foreign brands, especially newcomers, to explore the massive opportunities in the market," Liu Dingding, a Beijing-based independent expert, told the Global Times Wednesday.

Chinese people made about 120 million trips abroad in 2015 and spent \$104.5 billion on overseas purchases, according to a post on the website of the China National Tourism Administration. In the first three quarters of 2016, China recorded 194 million inbound and outbound travels, up 3.7 percent year-on-year.

A McKinsey & Co report in February estimated that cross-border e-commerce would amount to 432 billion yuan (\$62 billion) in 2016, and the sector is growing at upward of 50 percent annually.

The Chinese e-commerce giant said that cross-border consumption is becoming a new growth engine in China, actively pushing its globalization strategy over the past years.

On Wednesday, Tmall Global said it would deepen its involvement in cross-border e-commerce, helping foreign brands not only strengthen their presence in China but also enter Southeast Asian

nations. (Source: Global Times)

## China Seen Driving E-Healthcare

China's enthusiastic adoption of innovative e-healthcare systems could encourage the rest of the world to make the internet an integral part of their medical care.



Liu Jiren, chairman and CEO of Neusoft Corp, one of China's largest IT solutions and services providers, said the country, being an early mover into the field, enjoys many advantages, and can help build "internet+healthcare" platforms across the world.

China's big hospitals have continually invested in upgrading their IT infrastructure. Combined with the surge in use of smartphones, mobile Internet and big investments in innovation, e-healthcare has a bright future in China, he said at the third World Internet Conference in Wuzhen, Zhejiang province.

"Two of 20 hospitals equipped with the world's most developed internet-based management systems are based in China," said Liu. "Compared with the US healthcare reform, we don't have to overcome legacies and constraints—and authorities (in China) have always initiated innovative ideas to transform the industry."

Liu attended the "Internet + Smart Healthcare"



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session and underlined promotion of collaborative innovation and cooperation between industry, universities, research centers and app developers. All of them should seek new modes of global health governance.

Neusoft recently established Ningbo Cloud Hospital, China's first such platform. It is operated through collection, analysis and use of large amount of healthcare-related data.

The cloud hospital strengthens industrial supervision, and helps control ever-rising healthcare expenses. It also seeks effective approaches to solve the problem of expensive and difficult ways for individuals to consult a doctor.

Currently, it is connected to 100 healthcare organizations, and 226 doctors and family physicians.

Its four "cloud diagnosis rooms" focus on hypertension, diabetes, psychological problems and general ailments.

For long, venture capital has funded new projects involving internet-driven healthcare in China. Success of such ventures is encouraging the country's investors, entrepreneurs and academia to explore the next higher level in this field.

Liu, however, hastened to add that doctors can never be replaced by Internet and artificial intelligence. To create convenience for consumers, laws and regulations should not be disregarded, he said.

Wang Chen, president of the China-Japan Friendship Hospital in Beijing, said that professionalism of the medical industry should be respected when investors back ventures involving cooperation with the Internet sector. (Source: China Daily)

## **China Elevates Folk Medicine Over the Scientific Kind**

For decades, practitioners of traditional Chinese medicine (or TCM) have disputed accusations that their craft is a pseudo-science, a placebo,

exploitative of endangered species, poisonous and ineffective. Now China's government is fighting on their behalf. On Christmas Day, it passed the country's first law regulating TCM, with the aim of placing it on an equal footing with science-based Western medicine.

It's an expressly political goal, designed to "give a boost to China's soft power", as one spokesperson put it. Unfortunately, it's also misguided. China's healthcare system is already burdened by fraud, a shortage of doctors, counterfeit medicine and rank profiteering. Whatever the merits of TCM, raising it to the status of science-based medicine will only provide a distraction from the more urgent task of improving standard medical care.

The practices that constitute traditional medicine, herbal remedies, dietary treatments, acupuncture, date back centuries. But TCM as a unified practice only emerged in the 1960s, when China's government institutionalized it to counterbalance ideologically suspect practitioners of Western medicine.

As a favored state industry, TCM has prospered: In 2015, total revenue for the traditional pharmaceutical industry reached \$114 billion. Those drugs were dispensed by 452,000 practitioners working out of tens of thousands of clinics, some no more than single-room storefronts.

As with other state-backed industries, the protective hand of government has benefited the industry far more than consumers. The problems start with a lack of oversight over who can practice TCM. Earlier this week, the director of the State Administration of Traditional Chinese Medicine conceded that it's difficult to judge the qualification level of most practitioners. That's a nice way of saying that anybody can claim to be a TCM master. To be fair, China has a network of schools designed to professionalize homeopathic care.

But amateurism (or charlatanism) remains alarmingly common, especially in the countryside.

This lack of oversight extends to the thriving

industry of traditional pharmaceuticals. Last year, a team of scientists found that nearly 90 per cent of TCM remedies marketed in Australia contained undeclared ingredients, including antibiotics and decongestants, heavy metals such as lead and arsenic, and a range of plant and animal matter, not least, the DNA of endangered snow leopards. The situation is almost certainly worse in China, which lacks Australia's (clearly inadequate) screening procedures. A 2013 Greenpeace study found pesticides in 51 of 65 popular herbal remedies marketed in TCM shops in China and Hong Kong. In one case, contamination levels were 500 times the European Union's accepted safety limit.

Yet the real toll is likely even higher. Despite a dearth of credible evidence that TCM is effective, it still sucks up millions of dollars in public funds that would be better spent on China's regular healthcare system, which is badly lagging. The new law, for instance, calls for establishing TCM centers in public hospitals, as well as in pediatric and maternal-care units. This might be justifiable if China was already providing adequate science-based care. But it's not: Chinese hospitals are dangerously overburdened and underfunded, pediatricians are in such short supply that even state media is calling the situation "urgent", and maternal healthcare, especially in rural areas, is notable for its lack of cleanliness and pain relief.

Although the new law's emphasis on criminal penalties for adulterating TCM drugs is laudable, it's far less important than stamping out rampant counterfeiting and fraud in China's science-based pharmaceutical industry. That will require heavy investments in regulation and technology, and will need to go well beyond the criminal penalties that have failed to achieve much so far.

China's traditional medicine business is bound to persist, and the government should regulate it for safety. But promoting it to unwitting patients who believe it's as effective as science-based medicine isn't just a bad idea. It's malpractice. (Source: Bloomberg)



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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