



# CHINA UPDATES

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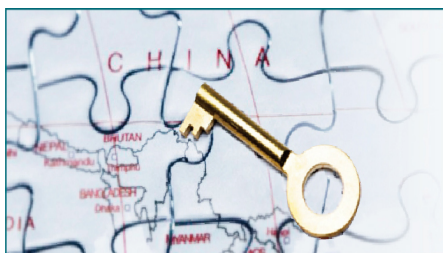
## **Consumerlab.com Expands to China**

Since 1999, American consumers and doctors have turned to ConsumerLab.com (CL) to find out which nutritional products are highest in quality based independent testing. Today, CL launched a Chinese-language website [cn.ConsumerLab.com](http://cn.ConsumerLab.com) to help consumers in mainland China evaluate products the same way.

"Our information is designed for people who want to choose the best quality products for themselves and their family members," said Tod Cooperman, M.D., ConsumerLab.com's founder and president. CL's tests check that products contain the correct ingredient, at the amount listed, without common contaminants such as the heavy metals lead, cadmium, and arsenic. Fish and plant oils are also tested for spoilage, and all tablets and caplets are tested for their ability to properly break apart.

The website, [cn.ConsumerLab.com](http://cn.ConsumerLab.com), currently has information about 418 U.S. products and 10 Chinese products, in reports covering calcium, vitamin D, multivitamins, vitamin B complexes and energy drinks, fish oil and omega-3 fatty acids, probiotics, CoQ10, arthritis products with chondroitin, glucosamine, MSM and boswellia, ginseng, green tea, protein powders and drinks, and weight loss products. In addition to product tests and comparisons, each report informs the reader about what products do, how to properly use them, and of potential problems, such as drug interactions.

Although most of the current reports on [cn.ConsumerLab.com](http://cn.ConsumerLab.com) focus on products ConsumerLab.com purchased in the U.S., many of these products are available



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online to people in China. The site also includes ConsumerLab.com's first tests of products purchased in China -- calcium and vitamin D products sold in China as OTC or "healthy food" products. Nine out of 10 of these products were found to contain what they claimed — one product contained 87% of the listed calcium. Dr. Cooperman noted, "Results for the Chinese products were better than those found with similar, popular products sold in the U.S., among which only 73% passed testing."

Other products from China now being tested by CL include glucosamine and chondroitin (for joint pain) and maca root, a purported energy enhancer.

CL's testing is overseen by CL's Vice President for Research, Mark Anderson, Ph.D., a pharmacologist and expert in product testing. Dr. Yongchao Li is CL's Chief Scientist for China, responsible for research on products from China and communicating results and information on the Chinese-language website. Dr. Li holds a M.D. degree in Traditional Chinese Medicine (TCM) from Beijing University of TCM, a Master's degree in Pharmacognosy from Peking Union Medical College, and has studied Pharmaceutical Science at the University of Illinois at Chicago/NIH Dietary Supplements Research Center.

Registration on [cn.ConsumerLab.com](http://cn.ConsumerLab.com) is free and provides access to the Calcium and Vitamin D Supplements Review (including Chinese and U.S. products), as well as extensive information about choosing and using many types of natural products. The site also includes expert answers to consumer questions about nutrition and natural products. Full access to the site is available with VIP membership (¥220 (yuan) per year) which provides access to all the current reports and product reviews, as well as more in-depth information, which is updated regularly. More than 70,000 individuals, as well as libraries, colleges, and other institutions, are paying members of [ConsumerLab.com's English-language website](http://ConsumerLab.com).

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### Taizhou FDA Regulator Released Emergency Plan

Local food and drug regulators in Taizhou of Zhejiang Province released a draft of plan to tackle any food and drug related emergency issue.

The plan includes team setup to clarify responsibility held by each of the related departments. It also suggests to divide the level of crisis into the general ones and the vital ones: the general cases will be addressed by local branch of district or country, while the vital ones will be directly dealt by departments in the city level.

The plan also maps out the working steps to deal with the emergency issues with five steps, including monitoring, reporting, assessing, handling and after-emergency.

The emergency should be addressed in four hours and the vital issues should be reported to the superior in two hours and be released online in 24 hours. (Source: Xinhua)

## China Nutrition & Health Food and Organic Products Exhibition to be Held in Guangzhou

China's International Nutrition & Health Food and Organic Products Exhibition is to be held in Guangzhou in early June. The event will be co-held by China Food Industry Association, China Agricultural Industry Association and Guangdong Health Food Association.

CINHOE was started 15 years ago. The exhibitors are the most high profile players in the health industry from countries around the world.

Last year, over 7,700 companies joined the Exhibition and over 450,000 visited the event.

The Exhibition is supported by the local government and will be covered by 120 local media and trade publications. (Source: China Economic Net)

## China's Food Security Situation "At its Best Time": Vice Minister

China's vice agricultural minister said on Friday that the country's food security situation is "at its best time" despite rising imports in recent years.

"The situation of China's food security is at its best time," Yu Xinrong said at a press conference on the sidelines of the ongoing National People's Congress annual session, citing 11 consecutive years of bumper grain harvests and records in indicators such as total grain output and per capita output.



Yu also noted a rising trend in China's grain imports in recent years, which hit a record high of about 100

million tonnes in 2014.

Of the total imports, 71.4 million tonnes were soybeans, according to Yu. The imports of cereals stood at 19.52 million tonnes, accounting for 3.2 percent of the year's total grain output, Yu said.

Imports of maize and wheat fell last year, and only the import of rice and that of grains used for industrial purposes climbed, said the official.

Yu attributed the rise in overall imports to relatively low grain prices on the international market, as well as an increasingly diversified demand of grains at home.

The vice minister said the core task of agricultural development in China is to optimize the structure of agriculture, and the government will ensure the nation's "rice bowl" is firmly held in its own hands. (Source: Global Times)

## Industry Gathered To Talk About Food Safety Issue

Delegates of the annual legislative meetings gathered to talk about food related issues with regulators in Beijing.

The annual talk has been held for over three years also. This year, the talk focuses on food safety insurance, food safety law and food and drug education.

Thirty participants are consisted of industry experts, reporters and delegates of Lianghai, the annual legislative meetings that are currently taking place in the capital.

The forum closed with a proposal to raise awareness of food safety among the young generation and promote the idea of safe food and drug on campus. (Source: China Economic Net)

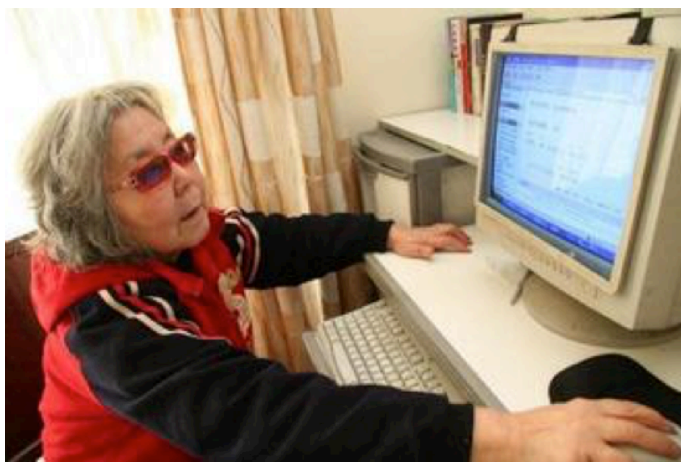
## Elderly Tap into Online Shopping

The world's largest and fastest-growing consumption market is rapidly changing with the digital times. In China, people's consumption habits are shifting due to the growing popularity of e-commerce. There is a perception that younger

consumers are the driving force of online buying, yet this may not be the case.

According to the 2012 annual statement from Alipay, the payment arm of China's biggest e-commerce company Alibaba Group, the average expenditure of Alipay users born prior to the 1960s was 31,000 yuan (\$5,000) in 2012, much higher than the 14,000 yuan spending of those who were born after the 1980s.

The statement shows that online shopping has become a key part of people's daily consumption, for both young and old.



"Our users' online spending is growing every year," says Zhu Jian of the public relations department of Alipay. "We think that online consumption is becoming more and more important."

"Besides shopping, more people tend to pay bills such as water, electricity and credit card repayments online," Zhu adds. "More than 10 million Alipay users paid bills on our platform in 2012."

Middle-aged and senior consumers are not only witnesses of the consumption revolution, but also participants.

Liu Chen, 56, general manager of an IT company in Beijing, says he always pays his phone bill on the Internet, and his online expenditure in 2014 was over 50,000 yuan, about half of the total annual expenditure. Clothes, electrical appliances and children's snacks are the main items he purchases online.

Liu's shopping strategy is to find something he likes online first, then go to shops to compare the costs, and finally purchase on the Internet because "the price is cheaper", he says.

As he is concerned about quality, Liu only buys items from the Internet that come with a warranty or that are of good quality, such as Samsung cameras, Apple products and brand retailers' clothes.

Another middle-aged buyer follows a similar shopping pattern to Liu's.

He Ying, 58, a retired doctor living in Beijing, is also accustomed to paying telephone bills online because of convenience. Low prices draw her to shop online.

Like many older Chinese people, He was not familiar with the online shopping process and was worried about payment security, so she asked her daughter for help. After several online shopping experiences with assistance from her daughter, He is no longer worried about the safety of e-commerce, but the quality of products is still a concern for her.

"It is too cheap to be good," He says. "Sometimes I was quite disappointed when I received the goods I bought online, as a lot of them were of bad quality. Many goods do not have the quality that their pictures show, some don't fit well and some even don't have a label."



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After a number of refund experiences, He decided to buy only from reliable brands and shops in the future, ones with good reputations.

Stories such as Liu's and He's are representative of millions of middle-aged and older Chinese, and show the great potential of the aging in the Chinese consumption market. Yet the market seems not to be valued as it should be.

Chinese marketing and consumption researchers have largely remained a vacuum for the market. It is hard to get professional and systematic reports on the elderly sector's consumption habits, consumer behavior and consumption trends. Information or reports that can be found either need updating or lack credibility.

Just like researchers, Chinese e-commerce websites have not paid much attention to older consumers. JD.com, dangdang.com and Amazon.cn have no specific category for goods for the elderly on their main pages. A keyword search yields only limited options available like clothes, food and healthcare appliances.

Taobao, Alibaba's online platform, does have a specific elderly goods category on the main page. Still, the goods in the category are not as abundant as other categories such as baby care.

Moreover, Taobao's category is not really designed for elders, but their children. The Mum's Clothes and Dad's Shoes subcategories more or less show Taobao does not consider the middle-to-older aged consumers as their target customers.

Despite the seeming lack of commitment to middle-aged and senior consumers, the Chinese market for the elderly is clearly huge and growing. The question China faces today is how to improve it. Maybe its neighbor, Japan, more advanced with its aging society, can be a model.

Japan has been an aging society for years. In 2013, more than a quarter of its population (31.9 million) was above the age of 65. The specialized market is mature, with plenty of products for aging people available there.

Pan Xiaojing, a 60-year-old former Chinese diplomat who has lived in Japan for the last 15 years, thinks Japanese society is more "elderly friendly" in many aspects, since most products there have special categories for old people. (Source: China Daily)

## Amazon Throws in the towel and Opens a Store on Alibaba

Chinese e-commerce is getting real meta these days. Amazon.com just launched a store on Tmall, the business-to-consumer retail site run by Alibaba Group, as the Wall Street Journal recently noticed.



It's a humbling choice for Amazon. Though Amazon's been selling goods online in China for about a decade under Amazon.cn, it never managed to ride the Chinese e-commerce craze. Meanwhile, Tmall and JD.com, Alibaba's prime competitor, continue to dominate. As Tech in Asia notes, the move means that Amazon is essentially paying Alibaba a commission to sell its goods.

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It's unclear what's behind the move. Amazon doesn't break out its China performance in its earnings. However, its international sales have taken an expensive turn in the last year or so. Selling its goods on China's biggest online shopping destination may be a bid to stop some of that bleeding. (Amazon had not responded to a request for comment at the time of publishing.)

There's an upside for Alibaba here besides simply the commission. Though the company has long struggled with counterfeiting—a well-known fact in China—a recent spat with the government has hurt its reputation with international investors, knocking a couple tens of billions off its market capitalization. Having Amazon selling Napa Valley cabernets and Blue Diamond almonds helps boost Tmall's suffering credibility.

Hosting Amazon's business also supports—albeit indirectly—Alibaba founder Jack Ma's grand plan to import premium goods made by small Western businesses for sale to increasingly wealthy Chinese shoppers. (Source: Quartz)

## Foodpolis, a Smart Way to Unlock Chinese Market

Global food manufacturers find the Chinese market a tough nut to crack.

The U.S. government recently complained about China's subsidies to enterprises including food manufacturers.

Last year, E-mart, Korea's largest supermarket chain, pulled out of China after 17 years of operations there.

Despite such difficulties, the Chinese food market, with its 1.4 billion customers, is still enticing to exporters.

"We cannot miss out on the food export market," said Lee Ju-myeong, director general of the Food Industry Policy Bureau of the Ministry of Agriculture, Food and Rural Affairs.

"The global food market reached \$5.4 trillion in 2014, larger than the \$1.7 trillion auto market and \$3.5 trillion tech market combined. We need larger platforms to agricultural exports," he said in a recent interview with The Korea Herald.

Lee, 49, stressed that Foodpolis, the world's first government-backed food cluster, is a smart, indirect export channel to approach the Chinese market.

To be completed by 2016 in Iksan, North Jeolla Province, Foodpolis started parceling out building sites in the second half of 2014. The food cluster consists of six industrial zones, including five zones for local companies and an exclusive zone on lease for foreign-invested companies.

Foodpolis benchmarked Food Valley in the Netherlands, a food cluster where international food companies and research institutes are located close together. In Food Valley, about 15,000 professionals are engaged in developing futuristic, functional food.



Lee said Korea's Foodpolis also brought together manufacturers from home and overseas; local suppliers and packaging firms; and research and development institutes from local colleges and private laboratories.

The three-pronged food cluster is designed to create an optimal cradle for exporters of high-end functional food and health supplements. Exporting

foods that help prevent dementia, for example, is one of the cluster's objectives.

The official pointed out that the Chinese market has three big hurdles for market entry: strong government regulation of employment, a complex retail structure with multiple middlemen and frequently changing quarantine inspection guidelines.

"Once the foreign players directly enter the Chinese market, they will want to cut costs by curbing many of the superfluous middle vendors. This will push up the unemployment rate, displeasing the Chinese government. It is also wary of the outflow of its national wealth in dividends to foreign shareholders" Lee explained.

"But with Foodpolis, Chinese companies can manufacture Chinese products on Korean soil, take advantage of Korea's premium agricultural goods, and distribute the products in their native land, without hurting the Chinese market environment. It is a win-win strategy for both Korea and China."

The government drive for food exports has received a huge boost from the Park Geun-hye administration, Lee said, adding that Korean ministries are joining forces to expand the Foodpolis operation as an export-intensive channel for Korean agricultural products.

On Feb. 10, Chinese fruit jelly-maker Qiaomama signed an agreement with the Korean Agriculture Ministry to move in to Foodpolis.

"Qiaomama means a great deal to Foodpolis, because it points to how we should approach the Chinese market," Lee said. Qiaomama is the Korean food cluster's second Chinese company and fifth foreign tenant.

The Chinese premium snack-maker champions "made in Korea" brand power — safe, high-end and fresh — as the primary reason to set up here. This goal is also met discretely with its bilingual product information labels, printed in Chinese and Korean.

"Foodpolis has a lot to offer foreign companies like Qiaomama, such as favorable lease rates, support in customs procedures in import and export, tax benefits and introduction to manpower if necessary," Lee said.

Another strength of the food cluster, he said, is that the Agriculture Ministry can help the companies build up business networks with large Korean suppliers, such as the Korea Fruit Agricultural Federation, for stable supply of locally grown ingredients.

"China is beginning to import high-end food, and so is Japan, after undergoing the Fukushima nuclear incident in 2011. Now is the perfect time to push the food cluster," Lee said. (Source: koreaherald)

### Chinese Users Abandon PayPal

Many Chinese cross-border merchants have decided to stop using the online payment service offered by US e-commerce powerhouse eBay Inc's PayPal unit, claims a Shenzhen-based retailer.

This is because money in their PayPal accounts were seized by US courts following lawsuits, said the retailer whose PayPal account was also frozen.

"I dare not use PayPal any more. Now I turn to banking transfer, which is safer and more reliable," the retailer of phone accessories surnamed Lin told the Global Times Tuesday.

Lin said that all the money in his PayPal account, nearly \$6,500, was transferred out by PayPal due to a US court judgment that ruled that Lin had infringed US clothing company True Religion's trademark.

The young man believes that he was set up. In October 2014, a foreign client contacted a friend of Lin's about buying fake True Religion pants and insisted on conducting the transaction via PayPal. Lin's friend did not have a PayPal account so he borrowed Lin's account, which was frozen by PayPal in December, although no counterfeit deals had

been made at that time or any time afterward.

In response to this, PayPal said in an e-mailed statement to the Global Times Tuesday that what PayPal did is in accordance with the US courts' orders.

The company, as the third-party online payment platform, has already informed Chinese users of lawsuits filed by brand companies, suggesting that they answer the case immediately and actively via lawyers, said the statement.

"I have no money to afford a reliable US lawyer, who costs \$300-\$750 per hour, for lawsuits. And I also do not want to have to deal with troublesome litigation in a foreign country," said Lin.

Lin is not alone. According to another Shenzhen-based PayPal user, who is surnamed Li and in charge of a QQ group set up to help deal with similar complaints, to date, an estimated 5,000 PayPal accounts in China have gotten frozen since April 2014, containing hundreds of millions of US dollars.

Besides Li's group, there are also several others on QQ.

Li told the Global Times Tuesday that some of the Chinese users involved were indeed selling knockoff goods online, but others had been cheated.

For instance, a foreign client would send a Chinese retailer a picture of brand-name products and ask the retailer to help with selling those, and if the retailer said yes and offered his or her own PayPal account, he or she would later receive a lawsuit from a US court, even though no real transaction had been made, Li explained.

Li Heng, a lawyer with the Shenzhen branch office of Beijing Yingke Law Firm, thinks there are some problems with US courts' trial process, especially in lacking sufficient evidence.

"These PayPal cases were closed too fast. As long

as the defendants failed to answer the complaints within the given period, the court would completely support the plaintiffs," Li from the Yingke law firm, which is representing some defendants, told the Global Times Tuesday.

The lawyer also noted that those PayPal users are also able to file a lawsuit against PayPal. "The US court orders should not have had an effect on Chinese PayPal accounts which are operated by PayPal's Singapore branch PayPal Private Ltd," Li noted.

PayPal Private Ltd was established in 2006 to serve customers outside the US and the EU, according to an e-mail sent by PayPal to users that year.

Zhao Zhanling, a legal counsel with the Internet Society of China, did not totally agree with Li Heng.

"PayPal Private Ltd is a subsidiary of PayPal and did nothing wrong in following the orders of the parent company. If PayPal can prove it notified users about when their money got frozen, then the company did not violate any laws," Zhao told the Global Times Tuesday.

Chinese merchants can actively protect their legal rights via lawsuits, and meanwhile they also need to enhance their awareness of intellectual property protection, especially when doing cross-border e-commerce, said Zhao.

PayPal, which claimed that it is only a third-party online payment platform and had complied with the US courts' orders, however, seems to have already suffered an outflow of Chinese users.

Many PayPal users in China have stopped using PayPal after these incidents occurred, according to Li, the QQ group founder, signifying a small setback for eBay which is under structure simplification.

According to a Reuters report on January 21, eBay announced a plan to cut about 2,400 jobs, or 7



percent of its workforce in the current quarter.

Experts said that this issue would likely give an opportunity for the development of domestic e-commerce giant Alibaba's third-party payment arm Alipay, which is actively carving territories cross-border e-commerce.

A report by Beijing-based market consultancy iResearch estimated in December 2014 that China's cross-border e-commerce revenue would reach 4 trillion yuan (\$640.1 billion) in 2014, increasing from 3.1 trillion yuan in 2013.

The QQ group organizer Li noted that he would not immediately turn to Alipay unless its service was widely adopted by his overseas customers. (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 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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