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China Passes Food Safety Law

On April 24, 2015 China's National People's Congress passed the Food Safety Law, which has implications across the entire food sector including dietary supplements.

Since 2010, the U.S. – China Health Products Association has been encouraging the Chinese government to move their dietary supplement, known as "health food", legislation towards a more open system based on notification. Over the last five years, the association has summited numerous comments to China's FDA, as well as the National People's Congress Legislative Office. The association also cooperates with the U.S. International Trade Administration in D.C. and the Foreign Commercial Service at the U.S. Embassy in Beijing to encourage productive dialogue.

In conjunction with other organizations, all this work is finally coming to fruition with the passing of the Food Safety Law. The new regulations will go into effect on October 1, 2015. Although what has been released by the government in terms of the dietary supplement segment of the industry is not very detailed, China's FDA and the National Health and Family Planning Commission (NHFPC) will be releasing implementation regulations leading up to October 1st, which will hopefully clarify exactly how the new legislation functions.

Since the beginning of 2014, China's FDA and Administration of Quality Supervision Inspection and Quarantine (AQSIQ) made importing supplements that were not registered with FDA as "health food products" impossible. Previously many foreign companies were importing supplements as food not health food.

This practice persisted due to unclear regulations and loopholes, which FDA is keen to rectify.

As of October 1, 2015 companies will be able to import supplements on a notification basis. However, to qualify, supplements can only contain ingredients that are on a list yet to be created/approved by FDA and NHFPC. Previous draft regulations and USCHPA meetings with FDA have revealed that this list will be made up on vitamins and minerals.

To see a translation of what has been released, visit the association’s website: CLICK HERE

CFDA: Food Safety Complained The Most

According to CFDA, complaints from the customers last year are mostly on food, especially in restaurants, followed by health food and drug. Complaints on cosmetics and medical equipment are relatively less.

The official data says that by the end of 2014, China has about 25 provinces with about 300 cities and 2000 counties that have set up independent complaint-dealing institutions for customers. The public can submit their reports via telephone, online or mail channels.

In areas including Beijing, Shanghai and Guangdong province, the local authorities received over 50,000 letters of complaints last year, which top in the rank nationwide. (Source: China News Net)

China’s Health Awareness Should be Raised

In countries like America and New Zealand, it is easy to buy health food. But as illegal health food case abroad is seldom exposed here in China, many substandard products are still sold in the local market.

Recently, a number of supermarkets in America are found to be selling fake health products. Also in the local market of New Zealand, fish oil products are found to have quality issue.

“The foreign health products should not be simply worshipped here,” said Xu Huafeng, general secretary of China Health Committee, in an interview. “Issues including false promotion and quality problem also exist among western products.”

“In China, the health product industry is growing but it is desperate for proper and effective regulation, “said Mr. Xu.

“Some companies only look for profits and their negative image has caused negative effect on the local industry,” said Chen Yumin, professor with Sun Yet-sen University. “The public’s awareness towards health should be raised and a scientific way to consume health product should be fostered.” (Source: Food Information Site)

Bellamy’s Organic Partners with Shanghai Company

Bellamy’s Organic, Austrian organic infant formula recently signed strategic partnership with SIIC Shanghai International Trade Co. Ltd.

Wang Dexing, president of SIIC and Michael Wadley, president of Bellamy’s Organic, attended the signing ceremony.

SIIC and Bellamy's Organic started their cooperation in 2013.As a state-owned company, SIIC was founded in 1988, one of the top 500 import and export companies in China. In 2014, its total revenue of import and export exceeded $1.2 billion, with $150 million from Australia. The market value and experience of SIIC will help to expand Bellamy ' s Organic in China's local market nationwide. (Source: yuer.pcbaby.com)

Beauty App Controls Health Product Vendor

HIGO, a branch of Meilishuo, which is a major local fashion app and e-commerce site, released a notice recently saying it would tighten control over the qualification of health product vendors. Those vendors who pass the qualification checking should also submit 100,000yuan as deposit.

From March 31, HIGO started to strictly check the operation qualification of all the health product vendors on its platform. Those which are not up to standard would be pulled off shelf. Vendors whose products are pulled multiple times would face a punishment of 3-month traffic suspension.

The deposit can be withdrawn when the vendor applies for quitting from the platform. HIGO was launched by Meilishuo in January and it has an independent app as well. most of the products are from overseas market and are generally more expensive than other local brands. (Source: Yibang.com)

A New Cancer Drug, Made in China

Xian-Ping Lu left his job as director of research at drug maker Galderma R&D in Princeton, N.J., to co-found a biotech company to develop new medicines in his native China.

It took more than 14 years but the bet could be paying off. In February, Shenzhen Chipscreen Biosciences' first therapy, a medication for a rare type of lymph-node cancer, hit the market in China.

The willingness of veterans like Dr. Lu and others to leave multinational drug companies for Chinese startups reflects a growing optimism in the industry here. The goal, encouraged by the government, is to move the Chinese drug industry beyond generic medicines and drugs based on ones developed in the West.

Chipscreen's drug, called chidamide, or Epidaza, was developed from start to finish in China. The medicine is the first of its kind approved for sale in China, and just the fourth in a new class globally. Dr. Lu estimates the research cost of chidamide was about $70 million, or about one-tenth what it would have cost to develop in the U.S.

"They are a good example of the potential for innovation in China," said Angus Cole, director at Monitor Deloitte and pharmaceuticals and biotechnology lead in China.

China's spending on pharmaceuticals is expected to top $107 billion in 2015, up from $26 billion in 2007, according to Deloitte China. It will become the world's second-largest drug market, after the U.S., by 2020, according to an analysis published last year in the Journal of Pharmaceutical Policy and Practice.

China has on-the-ground infrastructure labs, a critical mass of leading scientists and interested investors, according to Franck Le Deu, head of consultancy McKinsey & Co.'s pharmaceuticals and medical-products practice in China. "There're all the elements for the recipe for potential in China," he said.

But there are obstacles to an industry where companies want big payoffs for a decade or more of work and tremendous costs it takes to develop a drug.

While the protection of intellectual property has improved, China's cumbersome rules for drug approval and a government effort to cut health-care costs, particularly spending on drugs, could hurt the Chinese drug companies' efforts, said Mr. Cole of Deloitte.

"Will you start to see success? Of course you will," said Mr. Cole. However, "I've yet to see convincing or compelling evidence that it's imminent."

To date, many of the Chinese companies that are flourishing in the life sciences are contract research organizations that help carry out clinical trials, as well as providers of related services.

Some companies, like Shanghai-based Hua Medicine, are buying the rights to develop new compounds in China from multinational drug companies, what some experts consider more akin to an intermediate step to innovation.

Late last year, Hua Medicine completed an early-stage human clinical trial of a diabetes drug in China and in March filed an application to the Food and Drug Administration to develop it in the U.S. as well. The company has raised $45 million in venture funding to date.

Li Chen, who left an 18-year career at Roche Holding AG as head of research and development in China to help start Hua Medicine, said the company's goal is to "create a game-changer of drug discovery."

At Chipscreen Biosciences, Dr. Lu and his co-founders set up the company in 2001 in Shenzhen, a city that was quickly growing into a technology and research hub, just over the border from Hong Kong. They created a lab of 10 scientists to use a new analytic technique known as "chemical genomics" to examine the relationships between molecular structures of the existing and failed drugs, how they act on different targets in the body and what genes were being activated or repressed. Now they have more than 60 scientists.

By better predicting how chemicals would act on the body before entering human testing, they hoped they would be more likely get a drug to market.

"How can a small company compete with a multinational?" said Dr. Lu. "The only thing we can compete with is the scientific brain."

The biggest challenges for the company have been financing and the Chinese regulatory system, said Dr. Lu. The company has raised a total of 300 million yuan ($48 million) over five rounds of venture funding, said Dr. Lu. Chipscreen also receives grant money from the Chinese government.

The company filed its application for approval of chidamide to the Chinese Food and Drug Administration, or CFDA, in early 2013. It had to wait nearly two years for approval, receiving the OK only in December.

Chidamide now is on the market in China for 26,500 yuan ($4,275) a month, a price far lower than patients in the U.S. pay for some of the newest cancer medicines but much more than the typical Chinese patient pays for drugs. Dr. Lu said the price reflects a balance between affordability for patients and return for shareholders. Some investors wanted to price the drug higher.（Source: WSJ）

Destroyed Food Imports

In the whole of 2014, China returned and destroyed 24,000 tons of disqualified imported food items worth a total of $32.68 million, xinhuanet.com reported on Wednesday.

The European Union countries were found to be the top source of disqualified food imports, said the report, citing the latest statistics from the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ).

The rapidly rising imports of food items and toughened oversight by relevant government agencies were attributed to the rising faulty food imports, AQSIQ said.(Source：Global Times)

Chinese Consumers Crave Real-Time Brand Interaction

Edelman's second annual brandshare™ report, an online survey with 15,000 respondents spanning 12 countries (developed and developing), focused on how people and brands collaborate to build mutual value.

Global studies looking at consumer behaviour always prove to be fascinating for any marketing professional, particularly when you're able to drill down and look at things through a local lens. While living and working in Beijing offers me the opportunity to delve deeper into the practices of locals, brandshare data helps me to further understand how those consumers interact with and view brands, while offering direct comparisons with consumers worldwide.

Many consumers currently believe their relationships with brands are one-sided, with little mutual benefit for them in today's value exchange. In an increasingly interconnected society, today's consumer requires far more than a narrow, transactional interaction with a brand. Interestingly, 58 percent of Chinese consumers feel that they have a shared, two way relationship with brands but in stark comparison, 66 percent of consumers globally feel their relationship is one sided and believe they don't get much in return for sharing content and information about themselves, purchasing and recommending brands. In fact, globally a staggering 70 percent of people believe brands really are only in it for themselves with a self-centered desire to increase profits, however, in China this figure is much lower with only 49 percent of consumers sharing that view. Perhaps this is in part due to China's deeply connected social networks, providing consumers with a feeling that they are much closer to brands via the interactive social platforms.

Taking this into account, it is still fair to say that globally consumers expect far more than they're currently receiving from brands. While rational and emotional needs have always served as a foundation for marketing, brandshare unearthed a third consumer need state that delivers true business value; the societal needs state. While meeting both emotional and rational consumer needs will have a positive impact on a brand, they do not necessarily activate sharing behavior. However, the correlation between meeting societal needs and the likelihood that your consumers will share personal info or brand content is much stronger, as Richard Edelman recently explained.

In China, when all consumer needs were met, there was an increase across every business outcome including a 6 percent increase in purchase intent;

a 7 percent increase in likelihood to defend the brand to detractors; a 10 percent increase in likelihood to recommend; a 6 percent increase in likelihood to share personal information; and a 7 percent increase in sharing branded content.

While many cultural differences can help to explain some of the nuances seen across the results, perhaps some of the more interesting findings can be found in the similarities of consumers globally. Almost 90 percent of both Chinese and global respondents stated that they should be able to interact with brands quickly and in real-time. Meaning that today's modern brand needs to listen, learn and adapt based on consumer feedback and what's important to them.(Source: Eldman)

Health Chief Vows More Trained Family Doctors

China will put more effort into training rural medical workers so that the country can meet the goal of having one doctor for every family by 2020, a senior medical official has pledged.

Speaking at a medical industry conference which concluded on Friday, Li Bin, head of the National Health and Family Planning Commission, also said that authorities plan to set up a system of online patient health records and give citizens medical ID cards.

Noting that the central government has been investing about one billion yuan ($163 million) annually in training rural medical workers, Li said the quality of rural doctors is still low.

Her comments came after the State Council said in a five-year healthcare service plan published on Monday that China is aiming to train more doctors and nurses to increase the ratio of medical workers per 1,000 citizens from one in 2013 to 1.25 in 2020.

As China tries to overhaul its healthcare system, one issue that could undermine the process is its doctors' lack of professionalism, according to an article published Wednesday in the prestigious New England Journal of Medicine.

"There seems little question that the lack of a widely shared traditional of professionalism has complicated China's efforts to create a healthcare workforce that its leaders and the public trust to do the right thing," write the authors, David Blumenthal of the Commonwealth Fund and William Hsiao of Harvard University.

In the past, hospitals and doctors in China have received commissions for prescribing certain medicines and in general are paid much more for medical tests and services than they are for doctor consultations. These economics have led to overprescription of expensive drugs and imaging tests and unnecessary hospital stays, according to Dr. Hsiao, an economist who studies healthcare systems around the world. Such trends, they say, undermine professionalism, or the ethical principle of putting patients' needs before their own.

"When you lack professionalism, basically the providers are driven by their own self-interest, mostly by making an income," said Dr. Hsiao in a phone interview. "Patients become a cash cow."

These practices have fueled patient mistrust of doctors in China, which at times have led to incidents of violence against healthcare providers.

At the same time, doctors often feel like victims, too, said Dr. Hsiao. "If you're asking me to be more ethical but the rest of country are all pursuing money, you want me to be the exception," he said. "That's something China has to deal with."

The government, as part of its efforts to improve the healthcare system, has been cracking down on drug prices and kickbacks to hospitals and doctors. But regulating prices and controlling profit won't work in the long run to alter the system, said Dr. Hsiao.

Instead, China needs to install a moral compass in its doctors by appointing "exemplary" people with a strong sense of professionalism to lead medical groups and hospitals and promote self-regulation of the medical profession, said Dr. Hsiao.

Dr. Hsiao, who meets with dozens of Chinese hospital administrators each year when they come to Harvard for a training session, says he's rarely heard any administrators talk about how to improve care. Rather, they focus on how to expand their hospitals, improve their reputations and increase revenue. That focus hasn't changed in recent years, he said.

"My fundamental view is that without professionalism, China will not solve this problem of exploiting patients for income in the long run," said Dr. Hsiao. (Source: Xinhua/WSJ)

China Tries to Clean Up E-Commerce

China is tightening control over the loosely regulated world of Chinese e-commerce, a booming sector that has created behemoths such as Alibaba Group Holding Ltd. but has also drawn criticism for not adequately policing fake and substandard goods and questionable business practices.

The efforts are likely to increase pressure on Alibaba and others, but could also clarify rules for an industry Beijing has said it wants to nurture. Total online retail spending in China reached $427 billion in 2014 and is expected to grow to more than $1 trillion in 2018, according to estimates from data tracker eMarketer.

The Ministry of Commerce said Tuesday it wants to curb the practice of falsely boosting the credibility of merchants—known as "brushing" in China—by faking transactions and customer reviews. As part of a broader draft law, the ministry wants operators of retail platforms to ban vendors that falsify their credibility ratings, and says operators face fines of up to 500,000 yuan ($80,000) for failing to provide relevant information about such practices.

During the past several months, Chinese regulators have criticized e-commerce companies for not cracking down harder on the sale of counterfeit goods and other types of unethical behavior.

Separately, Beijing is likely to issue a draft law governing online commerce before the end of this year, officials have said.

Alibaba said it has taken steps to raise the quality of its marketplaces, implementing rules last month that restrict who can open a storefront on Tmall, its shopping platform for mostly large brands.

The government's moves could place an increased burden on companies like Alibaba. Its Taobao site connects more than eight million merchants with online consumers, and new rules could require it to step up monitoring efforts. At the same time, such moves help make China's e-commerce market more sustainable, said Elinor Leung, a Hong Kong-based analyst at CLSA.

"You have to go through this process before you have a true consumption market in China. Nobody can avoid it, including Alibaba," she said.

An Alibaba Group spokeswoman said the company complies with China's laws and regulations and "supports government initiatives to promote the healthy development of China's e-commerce industry."

Since last month, Alibaba has only allowed brands and their authorized resellers to open shops in popular categories of its Tmall site. The rule applies to cosmetics, shoes and bags, apparel and sports-related goods.

Alibaba has released a list of more than 5,000 brands that are preapproved to open a Tmall store, and is demanding that merchants in categories like household goods show they are authorized to sell brand-name products.

The aim is to "raise the bar of joining us so only merchants with quality products and services are admitted on the Tmall platform," said Jeff Zhang, Alibaba's head of China retail platforms, in an interview last month.

Analysts and brands say the new rules could be a big step toward reducing counterfeits, as well as so-called gray-market goods—authentic products sold on the cheap without brand authorization. Selling gray-market goods, which can range from factory overruns to parallel imports from countries where the goods are sold more cheaply, isn't illegal in China, but it can hurt a brand's image and disrupt its marketing strategy.

The categories on which Alibaba has imposed the most restrictions are those that analysts say are commonly plagued by fakes and gray-market sales.

The guidelines are a "logical step forward to protect consumers and right-holders from merchants determined to sell counterfeit goods on Tmall," said Bob Barchiesi, president of the International AntiCounterfeiting Coalition, which represents brands from Calvin Klein Inc. to Apple Inc.
Alibaba says punishments for sellers of fakes on Tmall range from delisting their stores to seizing their security deposits or notifying authorities. Sellers of fake goods on Taobao also face stiff penalties.

The company says it spends more than $16 million a year to fight counterfeits, with 2,300 employees and 5,400 volunteers monitoring its platforms for fraud, along with data-mining technology.

Counterfeits and gray-market goods affect e-commerce platforms around the world. But the size of Alibaba's platforms—as well as Chinese consumer demand for discounted products—has made the problem more acute for the Chinese e-commerce giant, which has been under increased scrutiny since its record $25 billion initial public offering in September.

Analysts say that while Tmall—which began in 2008 as a more high-end alternative to the bazaar-like Taobao—has far fewer counterfeits, they are still a problem.

China's State Administration of Industry and Commerce said it found fake and shoddy products on Tmall and other online marketplaces on Nov. 11—known in China as "Singles Day," an increasingly popular day for online shopping. In January, the SAIC published a white paper accusing Alibaba of failing to crack down on the sale of fake goods, bribery and other illegal activity. Alibaba has said the report was biased, and described as vindication the fact that the regulator later removed the report from its site.

Alibaba said it works closely with regulators.

Credit Suisse warned last month that restricting merchants could reduce transactions on Tmall and hurt Alibaba's revenue in the short term, but its business should ultimately benefit if better-quality merchants join. Alibaba said it doesn't comment on analyst projections.
Strategic IP Information, a company that brands hire to scour e-commerce sites for fakes, estimates that between 5% and 10% of the products it tracks on Tmall are suspect, Chief Executive Bharat Dubesaid. The firm works with more than 250 brands.

Alibaba said this third-party estimate is "baseless and entirely speculative." It declined to disclose its own data.

The new guidelines are unlikely to rid Tmall of counterfeits or of gray-market goods entirely, analysts say. The "sheer scale and existing number" of gray-market vendors on Tmall makes it challenging for the platform to police them, according to Emma Li, a researcher for L2 Inc., a New York-based data provider. (Source: WSJ)