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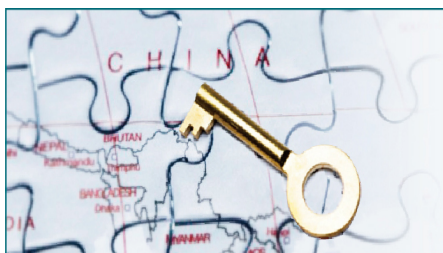
## **Will TCM Win Over Dietary Supplements in China?**

*I recently published the below article on LinkedIn, so for those of you that didn't catch it, here it is again:*

Just read this article entitled, "[Dried Toad and Snakeskin: Old-School Remedies Cool China's Vitamin Fever](#)" It was an interesting read and brought some thoughts to mind such as:

1. The generational differences in the belief and understanding of Traditional Chinese Medicine (TCM).
2. Purchasing motives: Gift giving vs. personal use.
3. Chinese government's move to promote TCM

**Number One:** There is a pretty big gap in the belief and understanding of TCM between those 30 and below and those 60 and above. Most younger people have grown up with western medicine as they may stay for getting over a cold or illness. Visiting



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the hospital to receive an IV for a cold and a bag of pharmaceuticals is a very common occurrence in today's China. Those sixty and over grew up with TCM as a much more prominent part of their healthcare system where the only needles being stuck in them were typically acupuncture needles. Familiarity and nostalgia play a big part in its continued use and belief by those sixty and over. Also the older generation tends to be more over trusting and will not inquiry too deeply. Especially if the product is given by a doctor or recommended by a friend. Case in point, even after thousands of years, many TCM (herbal) remedies still have not been thoroughly tested or verified as to which constituents within the herbal or combination of herbal material are actually responsible for its efficacy. TCM is based on balancing Yin and Yang Hot and Cold etc. Over the centuries physicians kept careful notes on what herbs alleviated which ailments. The herbs were then categorized by their nature for creating heat, reducing heat, dispelling wind and other such nondescript terminology.

Vitamins and minerals on the other hand are much easier to understand and their roles have been clearly researched and defined, which caters to the younger audience.

In contrast, the younger crowd are more trusting in Western medicine and at the same time are more inquisitive. Growing up with the internet at hand tends to encourage the asking of questions or at least doing some self guided research. TCM still has some mystical ties to folklore, legends and ancient magic and is born out of Daoism all of which in minds of the young is good material for video games or CG movies.

**Number Two:** Gifting health products played an important role in the success and early development of the industry. As the industry continues to mature and education spreads, more and more younger people are buying supplements for their own personal use. Although gift giving will continue, it will become less and less a driving force for the industry. Moreover, many of these gifts go unused or are "re-gifted" by the recipients. This defeats the process of

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generating return customers. For example, my mother in law had a small supplement store growing in her living room glass display cabinet. They were placed much in the same way one places small figures and knick knacks. After reviewing the well stocked inventory, more than eighty percent had expired more than a year ago and were unopened.

Education needs to continue to spread so that more consumers will be interested in making purchases for themselves as well as family use. Fitness industry is growing fast here, which is helping to build a new generation of health conscious consumers.

*In case you missed it. I wrote a separate article on China's growing fitness and sports nutrition industry. [CLICK HERE TO VIEW](#)*

**Number Three:** The new food safety law is set to go into effect next month and supplements are part of the new reforms. Newly penned into the regs is the addition of the State Administration of TCM as a regulatory body along with China FDA and China's National Health and Family Planning Commission. In my opinion this was done due to the large amount of TCM based companies jumping on the supplement bandwagon. I personally feel this is a mistake and adds another government agency to the red tape.

I want to clarify that I'm not against TCM. In fact, I'm a huge advocate and did study it for a couple of years when I was younger. TCM has saved me on a few occasions in China. When I had a serious lung infection back in 2005, TCM came to the rescue when pharmaceuticals were unable to treat me. During 2012-2014 I was knocked down by cold/flu at least four times a year. In 2014, TCM treated me for insufficient immune function. In 2015, I've only had one very mild cold thus far. However, I place TCM very much in the "M" (medicine) category because the entire system was created to treat, cure and mitigate disease. Supplements do not have this affect on the body nor can they legally make those claims in most countries.

In my opinion bottling TCM and selling to the public is not TCM and thus should not have anything to do with TCM regulators. True TCM is individualistic and holistic in nature. If three people have a chronic cough, they will most likely have three different reasons that the cough has manifested and will be directed to different treatments. People should not be arbitrarily self treating with TCM formulas. They should be professionally diagnosed by a trained TCM physician and prescribed the appropriate herbs to take.

On the other hand, I don't see anything wrong with including some herbs in a dietary supplement formula where the individual herbs have been well studied and have a basic structure function action. However, these would be dietary supplements not TCM. The terminology needs to be adjusted.

The Chinese government is keen on promoting TCM domestically and globally, which I'm all for, but it shouldn't be referred to as TCM when marketing itself as a dietary supplement. That's like selling a formula one race car as a family vehicle. They are both "cars", but have very different purposes. One anyone adult can drive the other requires a highly trained professional.

So those of you in the dietary supplement industry, don't fret. The supplement industry is here to stay in China and will continue to grow. (Source: USCHPA)

## Food Recall Managing Rules Takes Effect

The national food recall managing regulation will start to take effect this month.

The recall will divide the problematic food to be recalled into three levels.

The first level include food that cause death and serious health damage, the recall of which should be launched with 24 hours and finish within 10 working days.

The second level include those which might cause a certain level of health damage, the recall of which should be launched within 48 hours and finish within 20 working days.

The third level include food that have label problems with illegal statements or logo, the recall of which should be launched within 72 hours and finish within 30 days. (Source: China Science Journal)

## Beijing Kids Get Fatter: Survey

The waistlines of Beijing's children and teens are expanding at alarming high rates, a new survey indicated.

Obesity among students at the capital's primary and middle schools hit 15.6 percent in 2014, up 2.6 percent from 2013, according to data released by Beijing's public health watchdog on Thursday.

Among those chubby kids, over 60 percent suffered from increased blood glucose, one third had raised blood pressure, and 16 percent were diagnosed with fatty liver, the survey showed.

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Bad eating habits and inadequate physical activities were blamed for the super-sizing of children and adolescents in Beijing, the public health watchdog said.

According to another survey tracking the health of 36,962 college and high school students in Beijing, about 40 percent of them did not get enough exercise, 42.1 percent spent more than two hours in front of the computer, and 37.4 percent regularly skipped breakfast.

Public health authorities believed that the results may shed some light on prime culprits in the obesity epidemic.

Authorities also said they are rolling out programs to promote healthier eating and allocate more time for physical activities in schools to prevent kids from becoming overweight. (Source: China Daily)

## Yantai to Build Tracking System of Health Food and Cosmetics

Food and drug regulator of Yantai city, Shandong province, is to release regulation to launch a tracking system of health food and cosmetics production.

The regulation requires related companies in the city to build a tracking system that covers the raw material purchase, production process and sales of its products.

The city is also to set up crediting system among health food companies, the result of which will be released to the public in time. It aims to enhance the awareness of food safety among local food production companies. (Source: Yantai Evening News)

## CFDA Released Inspection Report on

## Chocolate and Candy

The state food and drug regulator recently released the inspection result of a special campaign towards chocolate and candy, which was launched this March.

The local regulators nationwide inspected 3,769 production companies of chocolate and candies. Problems spotted include illegal food additive, substandard label and operation without authority's approval.

608 of the inspected companies are asked to adjust and improve their operation, while 142 companies are asked to suspend from operation. (Source: CFDA)

## Online Shoppers Pack Heavy Wallet

Chinese shoppers who make purchases online from US merchants are spending more than three times what US consumers are spending, according to new research from PayPal.

The shoppers are customers who said that cross-border purchases made up at least 10 percent of their yearly online shopping transactions, said Daniel Jenkinson, head of research at PayPal, the electronic payment site. Chinese shoppers are increasingly buying their goods from US online merchants, with the draw being quality, authenticity and value, he said.

PayPal, which spun off from eBay earlier this month, released new findings on Tuesday in partnership with Nielsen on Chinese cross-border buyers and their shopping behaviors. An online survey was conducted over six days in June with 1,313 adults aged 18 and above.

“The growth of the Chinese market has been



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widely heralded. Our research on Chinese online buying confirms strong growth potential across a wide spectrum of retail sectors,” the company said in its report. “Overall online purchasing is expanding swiftly, with projected growth rates of 20 percent or more in the next few years.”

PayPal China launched its China Connect service with China UnionPay earlier this year, which links the online payment system with China’s largest bank card issuer, allowing China’s shoppers to use their UnionPay cards with the PayPal system. PayPal doesn’t break down its transactions or users by country, but the company has 165 million active users and recorded 1.1 billion transactions last quarter, 25 percent of which were cross-border.

“Chinese purchasing power has increased so much in the past 10 years. Now they have all this money and they don’t just want to spend this money internally. They desire and they have an urge to copy the lifestyles of Westerners,” said Matthew Lee, vice-president and general manager of PayPal North Asia.



“ ‘ We ship so much stuff outside of China,’ they’re thinking, ‘but now we want to enjoy. The people outside of China are enjoying, and I envy their lifestyles,’ ” Lee said of Chinese consumers at a media event in New York announcing the findings.

More than half of Chinese online shoppers plan to begin or to increase buying from overseas merchants. They spend an average of US\$485 on clothing, US\$1,229 on electronics and US\$512 on cosmetics, the statistics show.



In response to the growing appetite in China for cross-border transactions and concerns over logistics and shipping, PayPal launched buyer protection for users and offers free return shipping as well.

These services were first tested in May with Chinese users, and after “tremendous positive response,” Lee told China Daily, they were officially made available to Chinese users of PayPal in July.

US retailers are the preferred source for Chinese shoppers, PayPal said, and when they plan to make online purchases overseas, the “US tops the list of sources for Chinese cross-border purchases, with 14 percent of online shoppers having purchased from the US in the past 12 months — putting the US ahead of Hong Kong, Great Britain and Japan.”

Fourteen percent of survey respondents said that they buy from US retailers; 9 percent said Hong Kong; and 6 percent prefer the UK and Japan.



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As the Chinese government continues to implement economic reforms, it has encouraged its citizens to spend more on services, and recently lowered the import tax by 50 percent, which Lee said is a good development for US retailers.

PayPal can only be used by Chinese shoppers to purchase goods overseas. It does not yet have a license to operate as a payment system within the country. (Source: China Daily)

## **Eight False Advertisement Cases Spotted**

After the so-called “the strictest ad law in history” took place early this month, cases involving false advertisements have been exposed now and then.

The national food and drug regulator has recently exposed four drugs and four health food cases that are accused of false advertisement by making up or exaggerating the product’s function, which misleads the local consumers.

The new food safety law also bans health food from promoting itself with medical functions. Still, some companies say in the ads that their products cure a certain disease or alleviate pains for the patients. (Source: Morning Daily)

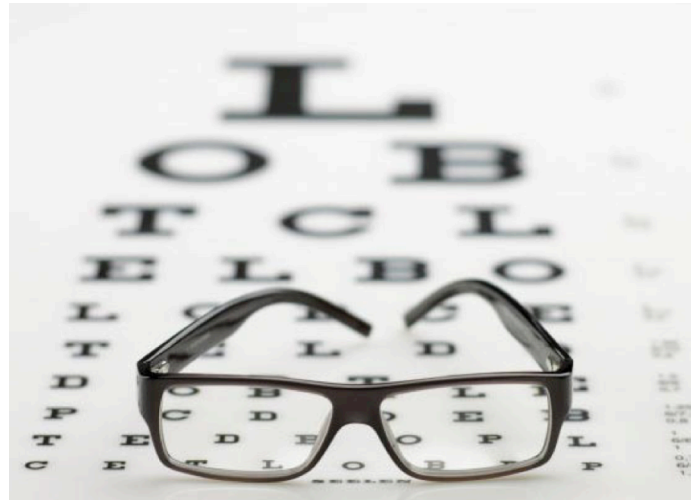
## **Survey Takes a Clear-Eyed View**

A national survey was recently launched to evaluate the eye health of Chinese children and teenagers.

On June 6, China's annual National Day for Eye Care, the China Youth Development Service Center and Zhejiang Medicine, a leading listed Chinese pharmaceutical company, jointly announced the kickoff of the survey.

In about one month, a questionnaire compiled by top eye care medical experts in China will be distributed through multiple online partners, including Health.sohu.com, as well as through offline survey events held in universities, middle schools and primary schools across the country.

A report will be released based on the survey statistics and analysis, and most importantly, guidelines for parents and youth on how to care for the eyes and prevent myopia — a growing problem in China's digitized society, will also be attached on the report.



"Myopia is not only a disease that makes people see things blurrily, but also leads to severe complications, such as glaucoma (increased pressure within the eyeball), and can cause blindness," said Zhou Yuehua, an established eye care specialist with Beijing Tongren Hospital.

"It is very important for parents and children to know about the risk and care for their eyes."

There are about 450 million myopia patients in China. Among Chinese myopia patients, 30 million are severe patients, according to Zhou.

The prevalence of myopia among high school and college students is more than 70 percent, and the situation is continuously worsening, he added.

Sun Zhu, director with the China Youth Development Service Center, said long hours of study, lack of exercise, especially outdoor activities, and attachment to electronic screens are some of the top reasons behind the widespread myopia problems, and the increase of younger patients, although China has made great progress in improving the hardware facilities and lighting.

conditions in schools.

He said he hopes the survey will alert people on the threatening situation, and also help medical experts to better guideline parents and children's behaviors to care for eyes, based on the timely and factual statistics the survey collected.

A series of follow-up events will also be held in six cities, including Jinan in Shandong province, and Changsha in Hunan province, to educate people on how to care for eyes after the survey started. (Source: China Daily)

## Experts Call for China to Develop 'Big Health'

Health experts attending a forum at the China Xiamen International Health Industry Expo on Wednesday called for further development of the country's healthcare industry and upgrading of its health management and service systems. Experts at the forum put forward a concept they called "Big Health", which encompasses a wide range of healthcare industries, including pharmaceuticals, healthcare products, medical equipment, as well as sports equipment.



They said the country's healthcare management and service industries are plagued by problems, and said the current health insurance mechanism is inadequate.

Though the health management industry in China has an annual revenue of 100 billion yuan (\$16 billion), most of the services and products provided

cannot be paid for by an insurance plan. In 2012, health insurance premiums reached 86.3 billion yuan. However, commercial health insurance only took up 5.6 percent of the total premium that year.

"The 'Big Health' industry development will change people's mindsets and improve the business environment within the healthcare industry," said Wu Liuxin, director of the China Medical Association's Health Management Committee.

"The concept of 'Big Health' can help to extend the functions of hospitals in China. Now the function of hospitals is mainly selling medicines and doing surgery. But as people become more familiar with the importance of general health, hospitals will see that they can do a lot more than the services they are offering at the moment," said Wu.

"The health industry will forever grow, because health issues are a concern for people throughout their lives," said Yu Xiaodong, general director of the national public nutrition office of China Health Industry Alliance.

The Chinese mainland and Taiwan can cooperate in establishing medical management systems, traditional Chinese medicine pills, and research into new medical equipment and treatments, experts at the forum said. Huang Sung-shiang, chairman of the Taiwan Cross-Straits Medical Interchange Association, said Taiwan will invest \$5 billion in the healthcare sector over the next five years and develop the largest healthcare project on the Chinese mainland.

A report from consulting firm Deloitte showed that China's annual healthcare expenditure is projected to grow at an average rate of 11.8 percent between 2014 and 2018, reaching \$892 billion by 2018. Spending will be driven primarily by consumers' rapidly increasing incomes and the government's healthcare reforms. (Source: China Daily)

## Alibaba, Metro Form Cross-Border Partnership

Alibaba Group Holding and Germany-based retailer Metro AG announced a cooperation agreement on

Tuesday that gives Metro access to open a flagship store on the Chinese e-commerce giant's online marketplace Tmall Global.

The partnership will help Metro become more local while aiding Alibaba's internationalization, said experts.

They will work together in cross-border e-commerce, commodity supply chains and data sharing, according to a press release sent to the Global Times by Alibaba.

"This partnership will encompass collaboration in areas including cross-border e-commerce, logistics, rural e-commerce, online supermarkets and online-offline initiatives," said Alibaba CEO Zhang Yong.

Metro will establish a "German pavilion" online sales channel on Tmall Global, a business-to-customer online platform under Alibaba. The pavilion will directly offer overseas goods - especially more high-quality German products - to Chinese consumers.

Alibaba said that it would assist Metro with its expansion in China's e-commerce industry.

"E-commerce is one of our strategic growth drivers in China. Opening the flagship store on Tmall Global shows our clear confidence in the Chinese market, where we hold a solid commercial position," Olaf Koch, board chairman of Metro, was quoted in the joint press release as saying.

Metro operates more than 80 locations in 56 cities in China. The retailer said it generated 18.9 billion yuan (\$2.97 billion) in sales in China during the fiscal year ended September 2014, up 11.2 percent year-on-year.

"Metro's latest move shows its confidence in the huge potential of China, driven by demand for overseas products," Liu Xuezhi, analyst at Shanghai-based Bank of Communications, told the Global Times on Tuesday.

Liu said Chinese consumers were quickly becoming more affluent and ready to buy high-quality overseas goods. Liu also noted that the 367 million

consumers on Alibaba's online shopping platforms provide an attractive customer pool for Metro and can support its business growth.

Separately on Tuesday, Alibaba's rival JD.com Inc, which is China's second-largest online retailer, signed a strategic cooperation agreement with Lotte.com Inc, allowing South Korea's leading online shopping site to sell various products to JD customers via the Chinese company's online marketplace, according to a press release issued by JD on its website.

China's cross-border e-commerce has developed quickly in recent years. Transactions reached 3.75 trillion yuan in 2014, up 38.9 percent year-on-year, according to a report by Beijing-based market research firm Analysys International released on July 14.

"Favorable government policies and the FTA [free trade agreements] that China signed with South Korea and other countries have boosted China's cross-border e-commerce," said Liu.



Liu forecast the growth rate for China's e-commerce sector would accelerate in the coming years, with consumers seeking more choices and increased customization.

Qiu Yanying, chief analyst at Shanghai VStone Capital Co, a private asset manager, took a slightly different view.

"China's cross-border e-commerce will continue growing, but more slowly and steadily. E-commerce is no longer an emerging industry - it is a mature



sector," Qiu told the Global Times Tuesday.

Also, increasing cooperation between e-commerce companies and physical shops can be expected, and this trend can boost the real economy, said Qiu. "The two groups will pursue a win-win situation rather than a zero-sum game."

On August 11, Alibaba signed a partnership with Chinese leading electronics retailer Suning Commerce Group Co, taking a big step toward the integration of online and store-based shopping. (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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