



CHINA UPDATES

December 8, 2015– Issue 171

INSIDE THIS ISSUE

CFDA Drafts More Food Regulation

CFDA: Children's Drug Registration Reviewed First

Down Times for Many Daigou Amid Crackdown by Customs

Chinese Baby-Goods Market Grows Up Fast

JD.com to Close C2C Marketplace to Curb Fakes

China's Shopping Agents, Online Firms Flourish as Locals Look Abroad for Quality Health-Care Goods



CFDA Drafts More Food Regulation

Deputy chief of CFDA said in a recent food safety conference that the national regulator is to draft food safety regulations to set up a comprehensive legal system to protect food safety in the local market.

“We still see cases including illegal food additives, counterfeits, and other cases in which food are polluted by surrounding environment,” said Teng Jiakai, deputy chief of the agency.

Mr. Teng said that e-commerce has brought new challenges to food regulation while the basic monitoring on food is still very weak. The government needs to step up its efforts to strengthen controls over food safety issues, especially in areas and fields that have been devastated by all kinds of food problems.

The national agency is coordinating with other government departments to draft regulations to go with the latest national food safety law.

The national health committee is also mapping up food standard of nearly 5000 types of food. (Source: Beijing Daily)

CFDA: Children's Drug Registration Reviewed First

China's state drug regulators said in a regulation released recently that drugs for kids, which are included among ten kinds of drugs, could enjoy prior approval when it comes to drug registration.

The regulation, explained by officials with CFDA, is to address the issue of getting the emergency drugs to be registered first.

The drug review center will review the applications submitted

Are you seeking a reliable partner to help you navigate and successfully enter the China dietary supplement market?

TSI has the **expertise** to help.

Contact your TSI representative today to learn more.



www.tsichina.com
www.tsiinc.com

and release the result of review on its official website. If no objection is received within five days, the application will be put into prior approval process. (Source: CFDA)

Down Times for Many Daigou Amid Crackdown by Customs

The determination of China's customs authorities to step up scrutiny of individual overseas parcels is dealing a heavy blow to the country's private daigou (people who help consumers from the Chinese mainland secure overseas products), said analysts.

"On September 18, we started to strictly enforce the provisions on individual overseas parcels," while previously, some authorities may not have strictly followed the regulations, an official at the Suzhou Customs office told the Global Times on Wednesday via telephone.

Similar actions were taken by customs authorities around the country after the State Council, the nation's cabinet, held a videoconference on September 17, "ordering us to strictly follow the rules laid down by the General Administration of Customs in 2010," the official said on condition of anonymity.

He noted that individual overseas purchases, especially of baby milk powder and cosmetics, of more than 1,000 yuan (\$157.5) may get returned as a result of the crackdown on daigou.

Analysts said that the State Council's order indicated the central government's resolve to promote the sound development of cross-border e-commerce, which is regarded as a major new driver of economic growth.

"It is important for customs authorities to knock out daigou, who can sometimes bring cheaper and better-quality goods to customers but are also a channel for the sales of fake goods," Liu Dingding, an analyst from Beijing-based Internet intelligence

So little.  **So much.**

Powerful Phospholipid EPA & DHA

Excellent User Experience

Smaller Dose, Easy Digestion



AkerBioMarine™
Antarctic



SUPERBA® KRILL

www.superbakrill.com

agency Sootoo, told the Global Times on Wednesday.

China's daigou business has been booming in recent years as domestic consumers' demand for cheaper overseas goods rose and their confidence sank in locally produced goods, especially maternal and child products, after the tainted milk scandal in 2008. That scandal led to the deaths of at least six infants and left kidney problems in thousands of others, according to the Xinhua News Agency in 2009.

A report by US-based market consultancy Bain & Co in January said that the daigou business in China's luxury industry had an estimated market value of 55 billion yuan to 75 billion yuan in 2014, equivalent to 50 percent of store sales in China of these items.

The trade via private daigou will plummet as daigou cannot easily evade taxes as they used to amid stricter customs inspections, said Liu.

Xu Yun, a daigou based in Southwest China's Chongqing Municipality, has already felt the impact.

"My two cosmetics parcels from the UK were held up by Chongqing Customs in September and

October. I paid nearly half of the costs as duties to get them back," she told the Global Times on Wednesday. Xu, who started her overseas purchasing and reselling business in June, said she would abandon the business.

Guangzhou has also begun tougher examinations, said another daigou surnamed Xia, noting that nine of her 10 international parcels were held up by Guangzhou Customs in the past two months.

"It's not wrong to have to pay import duties, but I hope that customs management will be consistent. We have no idea if customs authorities will tighten their controls for a while and loosen them in the next moment," Xia told the Global Times on Wednesday.

Xia said that she had previously stopped selling overseas cosmetics to avoid the risk of paying high import duties. Milk powder products are also off her shopping list, for the same reason.

Milk powder products comprise the second-largest category of overseas goods purchased by Chinese customers online, Beijing-based market research firm Analysys International said in July.

The incomes of domestic daigou will also take a hit in the face of competition from the country's big-name e-commerce giants such as Alibaba Group Holding and JD.com Inc, which are actively expanding their cross-border online shopping business, according to Liu. (Source: global times)

GFSI Lands in China

Global Food Safety Initiative signed a global strategic partnership with China Nutrition and Health Food Association, and will land in China officially.

Chinese officials said that international cooperation in food safety field is strengthened recently, and the

official landing of GFSI means China's food are marching towards the international market.

GFSI is a NGO consisted of 650 food manufactures, retail companies and restaurants from over 70 countries. The trade values generated by its member companies account for 65% of the total global food trade values. (Source: Beijing Youth Daily)

Chinese Baby-Goods Market Grows Up Fast

Just hours after Beijing this month announced plans to abandon its one-child policy, an advertisement appeared on Chinese social media for a mobile app connecting pregnant women and new mothers with doctors.

The ad, from Shenzhen-based startup Mami Zhidao ("mommy knows"), featured four doctors dressed as comic superheroes. "We are here so you can feel comfortable to have babies," it said.

It remains uncertain how much Beijing's policy shift can boost China's birthrate, but Mami Zhidao founder Liang Liang and other entrepreneurs say they have high hopes for the business of catering to mothers and children. Last week on Singles' Day—China's equivalent of the Black Friday and Cyber Monday shopping events in the U. S.—the baby-goods category was among the top performers on Alibaba Group Holding Ltd.'s online marketplaces.

Venture capitalists say startups focusing on baby goods and services have potential to grow even as China's economy slows, because of strong demand for safe, high-quality baby supplies. While other Internet ventures are finding it harder to raise capital, baby-products startups are getting backing from prominent investors, such as Sequoia Capital China. Baby-goods shopping sites Beibei and

SupplySide
STOREFRONTS

SupplySide Storefronts are always open. Come on in.



SEARCHING

for the next ingredient, supplier
or solution to meet your needs?

FIND IT HERE

Mia.com reached \$1 billion in valuation in their latest fundraising rounds, as did Lamabang, a social network for young moms.



“The market is growing. Younger generations are getting richer and they want better services,” says Mr. Liang, who founded Mami Zhidao last year. It has since attracted two million users and backing from a venture-capital arm of Japanese telecommunications company SoftBank Group Corp.

Research firm Analysys forecasts China’s market for businesses that serve mothers and babies—online and offline—will increase 15% to \$244 billion this year and more than double by 2020.

Analysts forecast growth for the baby-related market even if Beijing’s policy shift doesn’t boost the birthrate significantly, because middle-class parents are willing to spend more on better products and services—especially through online channels, where such products are easier to come by than in China’s brick-and-mortar stores.

The market has caught the attention of the country’s biggest online-shopping companies, Alibaba and JD.com Inc., which are offering more imported baby goods on their sites. Demand is

fueled by concerns over the safety of domestic products, lingering from a tainted-baby-formula scandal that shook China in 2008. Infant formula and baby food are among the most popular items for Chinese shoppers buying goods from overseas. According to a survey by iResearch, 75% of such online shoppers said they have bought baby formula at least once.

Alibaba and JD face competition from startups whose specialty sites seek to serve new Chinese parents seeking both high-quality baby products and parenting advice.

“The Chinese family is changing,” says Liu Nan, founder of Mia.com, which finds merchants abroad—from a German baby-clothing brand to a Japanese dietary-supplement maker—and brings their products to China. The startup has attracted top China venture backers including Sequoia Capital China and early-stage investor ZhenFund. It was valued at \$1 billion by a \$150 million fundraising round—led by Chinese Internet search provider Baidu Inc.—in September, when many Chinese tech startups struggled to raise funds after China’s stock market fell sharply this summer.

Shi Wenqian, a 25-year-old former bank employee in the eastern city of Wuxi who is six-months pregnant, uses a website called Babytree to gather information such as what food and beverages to avoid. Safety, not price, is the priority, she says. Like many other moms in mainland China, Ms. Shi plans to buy baby formula and food from Hong Kong when the baby arrives in February.(Source: WSJ)

JD.com to Close C2C Marketplace to Curb Fakes

China's online retailer JD.com will shut down online customer-to-customer (C2C) marketplace



Paipai.com in three months in order to fight fake goods.

The online retailer said the decision to close Paipai.com, which was previously operated by Tencent but merged into JD.com after Tencent bought a 15 percent stake in the online retailer last year, came after countless efforts to fight counterfeits on the 2C platform proved futile.

JD.com said it has stopped accepting merchant applications to open stores on Paipai and its contracts with existing merchants will terminate on Dec. 31.

Merchants who open stores on C2C marketplaces do not need to file with the country's industry and commerce watchdogs and thus are not subject to thorough regulatory oversight. Selling pirated products on C2C marketplace bears almost no repercussions for merchants, JD.com said.

JD.com's chief rival Alibaba has also faced protests and lawsuits from international brands and industry groups that alleged its C2C marketplace Taobao.com tolerates merchants selling counterfeits.

Alibaba's founder Jack Ma said the company is working to tackle piracy on its marketplace and has expanded its business to customer (B2C) marketplace Tmall.com, where merchants face more stringent oversight from regulators and brands can sell directly to consumers.

In addition to cracking down on piracy on online marketplaces, Alibaba and JD.com have invited more brands to open stores on their B2C platforms to expand their presence online. Both have opened new platforms connecting Chinese consumers to products sold in other countries.

Such measures have led to an increase share of branded products on China's online marketplaces. A study by consulting firm Bain & Company finds that the overall share of unbranded products on Alibaba's Tmall and Taobao marketplaces have dropped 7 percent from 2011 to 2014.

Breaking it down by category, the consultancy found beauty and personal care products had the biggest decline and the lowest share of unbranded products in the past four years. The share of unbranded products remained the largest in clothing, shedding only 6 percent in the same period.

"Online retailers have made the effort to tackle counterfeits, but this is a persistent problem in China," said Ding Jie, a partner at Bain & Company.

"The encouraging sign is that Chinese consumers are getting more brand-conscious and their pursuit for quality over price will make counterfeits less popular," Ding said.

Foreign brands have been slow to embrace the internet in China's increasingly digitized retail scene.

"Many foreign brands have very established channels in the physical world but as more Chinese consumers shop online, they haven't made adjustments accordingly, thus losing market share to domestic and small firms adept at marketing online," Ding said.

In addition to applying pressure on China's online retailers, Bain said some foreign brands are making a more active move to stay relevant in China's online retail world.

"Some multinationals have begun lobbying their overseas headquarters to grant greater autonomy



GMP Services
注册服务

To learn more about NSF cGMP Services, [click here](#)
Experts in auditing, consulting, training and testing

欲了解更多服务信息请点击
审核、咨询、培训和测试专家团队

for their China operation so they can tailor their marketing strategies and make it into a best practice to replicate elsewhere," Ding said. (Source: Xinhua)

China's Shopping Agents, Online Firms Flourish as Locals Look Abroad for Quality Health-Care Goods

Doris Zhang, a Chinese mother raising two young children in Portland, Oregon, has a day job with a direct sales nutrition company that gives her a good income. She is also a daigou, or shopping agent, who buys products overseas on others' behalf.

Zhang buys US health care products and sends them to relatives on the mainland, ringing up monthly sales of about US\$5,000.

"They want all sorts of products, from vitamin D-enriched products for children to adult supplements, anti-ageing remedies and treatments for diabetes," she said.

Most of her items are bought directly from her employer's website. If it doesn't have what her customers want, she gets them at Costco, a bulk-buy warehouse club in the United States.

"The products here are far cheaper than those in China. Even factoring in delivery, there is still a price advantage," said Zhang, who has been operating her sourcing venture for about three years. "But the biggest advantage for health-care products here is their prime quality. That's why many mainlanders buy even if the price is higher than similar products in China."

Such buyers include the increasingly affluent younger generation.

Claire Zhou, a 32-year-old office worker in Beijing, buys a variety of American supplements through a mainland online shop.



She feels she is at an age when women should start to take better care of their health. Her shopping list includes supplements of fish oil, beta-carotene, calcium, collagen, grape seed and dietary phospholipids.

"I think I need these kinds of products. They're not expensive - just around 100 yuan (HK\$122) per bottle,

Zhang said she has bought New Zealand honey online for her mother and has asked a friend in Canada to buy blueberry supplements, hoping they will help her mother maintain a healthy heart.

"I have no idea of similar domestic-made products, but my overall impression is that foreign items are of better quality and safer," Zhou said.

Individual agents like Zhang are not the only ones tapping the demand at home - e-commerce companies are also showing an interest.

Fan Ruizhen, spokesman for JD Worldwide, the international wing of JD.com said overseas health-care products were "a new continent" for mainland consumers and that the future looked promising.

"As China's economy grows along with people's awareness of staying healthy, these products have gradually become necessities," Fan said.

Tmall Global, a unit of Alibaba that allows global brands to sell directly to mainlanders, had also been working closely to help big names establish an online presence, said Ken Ma, who heads its business development division for brands from Australia, New Zealand and Japan.

Fan said the biggest difficulty in the market was the unstable supply of discounted popular overseas lines to meet the vigorous, steady demand on the mainland.

Zhang agreed, saying many companies set purchase quotas when offering discounts on their products.

"If I received a lot of orders - dozens or even hundreds - I wouldn't have the time or energy to go back and forth to stores, buying small quantities at discounts to replenish my stocks," she said.

Wang Qian had a similar experience. She recently returned to Beijing from Melbourne after being an individual trader of health-care products since last year.

"During the Lunar New Year period this year, when I took a big suitcase to buy health-care goods at a supermarket in Melbourne, the shop assistant got cranky with me and told me that for each of those categories in their store, I was allowed to buy only several items at a time," she said.

"Actually, a lot of their shelves were empty as the Lunar New Year is a traditional season for Chinese students to return home with health-care products as gifts for their families."

Zhang said counterfeits were also a problem. Her customers often asked why some items displayed in domestic online shops were much cheaper and in plentiful supply, while she was often out of stock for days, she said.

"The only reason, I figured, was that cheaper products being sold online are fake," she said. (Source:SCMP)

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.

ADVERTISE WITH "CHINA UPDATES" FOR AS LITTLE AS \$1,400 FOR 52 WEEKS

CONTACT US NOW: news@uschinahpa.org

Copyright© 2015 U.S. – China Health Products Association. All Rights Reserved