



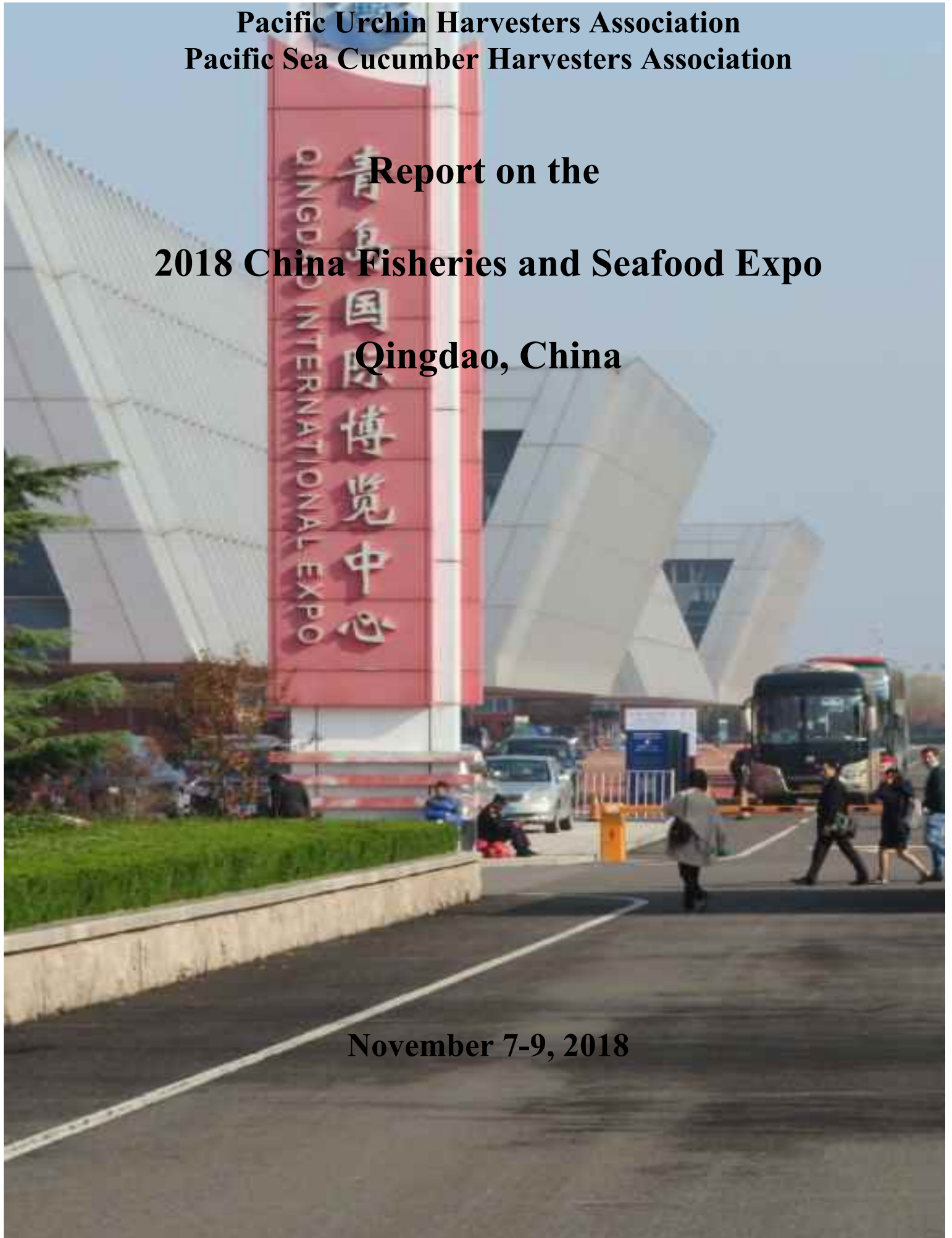
**Pacific Urchin Harvesters Association
Pacific Sea Cucumber Harvesters Association**

**Report on the
2018 China Fisheries and Seafood Expo
Qingdao, China**

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November 7-9, 2018



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Introduction

Mike Featherstone, David McRae and Geoff Krause were joined by Pat Fantillo (RBS), Paddy Wong (Paladin), Melody Fan (Canadian Food), Crystal Gao (Providence Seafood) at the 2018 China Fisheries and Seafood Expo. China is still one of the fastest growing seafood markets in the world, with imports growing by some 21.2% to 4.9 Million Metric Tonnes (MMT) while the value increased by 21% to US \$11.35 Billion.



This was the 10th year we have exhibited at the show and the 4th year it has been held in this new, specially built exhibition facility. The show was first moved to the new facility in 2015 because of capacity constraints at the other venues in Qingdao and Dalian that had been hosting it up to that point, but 2018 is the first year it has actually used all the space available for the exhibition. The 2015 CFSE comprised about 1,300 companies from 46 or so countries using about 32,000 m² of exhibit space in 7 of the available 10 halls. By 2017 this had increased to 1,500 companies from about 49 countries using some 36,000 m² of exhibit space in 8 of the 10 halls while this year more than 1,500 companies had some 45,000 m² of exhibit space in all 10 of the halls. By

this measure it became the largest seafood show in the world, eclipsing the Seafood Expo Global (SEG) in Brussels which saw 1,946 exhibitors from 78 countries using just over 39,000 square metres of exhibit space. Using these numbers the average exhibit space declined from 24.6 m² in 2015 to 24 m² in 2017 before again increasing to 30 m² in 2018. For comparison, the average exhibit space at the 2018 SEG was 20.2 m² for each company.



Economic Environment

It will be interesting to see if the dominance of this show and the market it serves, continues apace in the years ahead or if troubled relations with Western nations stall or slow the advance of China as an emerging major world power. There are, as most people I am sure know, a lot of things with at least some potential to affect international trade patterns going on in the world these days, most particularly between the US and China, but also washing up against other developed nations around the world.

The imposition of 10% tariffs last summer on some \$250 B USD worth of Chinese exports by the US and \$110 B USD worth of US exports by China with continuing threats by the US to increase these to 25% on \$517 B USD worth of exports early in the coming New Year are part of a new dance that is going to shape markets for some time in the future. These threats are credible and present substantial risk(s) to economies, companies, multilateral alliances and even geopolitical stability because of potential disruption(s) to supply chains of industrial and consumer goods around the world.

The US is the main driver of changes in this instance, President Trump was after all elected in part because of his stance towards China, and he shows no signs of backing off his demands. The US is taking a hard line against China's treatment of foreign businesses in China including such measures as quotas and investment restrictions imposed on foreign corporations, forced technology transfers, IP theft and industrial subsidies for State Owned Enterprises (SOE's) etc. The complaints of the US, and of other OECD countries it should be added, are easily justified, however the risks to the multilateral trading system and the very real hostility of the US administration to that system, the system that has provided us with a stable and largely peaceful world since the end of WWII and was in fact erected with just that very thing in mind, and the spectre of returning to the "old ways" of doing things is unsettling to say the least. To be sure, the popular anger and even rage that emerged from the great recession of 2008 and the continuing excesses of financial capitalism and the apparently inherent inequalities of globalization have not faded. As a result, Liberal democracy and its major outcome, the globalization of both capital and labour, are facing their most serious threat since the end of the Cold War a half century ago.

In philosophical terms, freedom - probably "the rallying cry" of western democracies since at least the 1700's, is ultimately about the recognition of human dignity, something that people can too easily lose sight of in the various battles they endure in modern life. However, it remains fundamental to our modern world view and our perception(s) of how we are doing on a personal level. Satisfaction is not always easy to measure or anticipate and studies have shown that people's happiness is driven by relative, as opposed to absolute, levels of income and social recognition they command from their peers. As Adam Smith noted in his "Theory of Moral Sentiments," the rich man "glories" in his riches while the poor man is invisible to his fellow human beings. I bring this up because "Progress" is marginalizing many people even as the technologies are giving others more ways to showboat and see how the other half lives. It is also giving those suffering from offended dignity new ways to organize and express their anger so we are, as a result, seeing a resurgence of populism and nationalism around the world as cynicism continues growing about the ability, let alone commitment, of global elites to reform a system which embraces inequalities to their advantage.

In this, people's sense of dislocation is complicated by the slow relentless spread of globalization and by stories of an emerging China and a new Pax Sinica. In this regard, the Chinese version of a modern economy is apparently wedded to similar or even greater disparities of socioeconomic and political power, so is not likely to provide a more robust or sustainable alternative. The top 10 % hold about 75 % of the assets and there is concern that this will lead to a society with many extremely rich and many extremely poor people, and relatively few in between. Interestingly they are similar to the US in this regard: the official estimate of China's Gini coefficient – named after Italian statistician Corrado Gini who developed it as a measure of the gap between rich and poor in a population in 1912 – rose for the second year in a row to 0.4670 in 2017, about the same as the 0.47 found in the US. This compares 0.31, 0.36 and 0.37 for the EU, Canada and the United Kingdom respectively. The United Nations considers a Gini coefficient higher than 0.4 a sign of severe income inequality meaning the levels in China and the US are sufficient that they could trigger social unrest.

Historically, growing inequalities of wealth and income have led to political upheavals in many countries. This happens as economic inequality translates to political inequality which results in a vicious circle as the rule-making (i.e. political) process further benefits the "winners" to further feed economic -through- political inequality cycle. Many people see this as the reality governing social trends around world since the economic melt down of 2008. Expert opinion has

recognized that the divisions we are seeing mean we are already paying a steep price for inequality, but also suggest these are only a small down payment on the calamities, including those arising from climate change, that are accumulating and shortly to break upon our lives if we do not do something quickly.

Most Western views of China have been conditioned by the 20th-century world order that looks at things through the lens of a largely American perspective. In large part, America legitimately and deservedly won this trust: not only did it lead the Allies in winning the Second World War, its political and military might also guaranteed by the sovereignty, security, and stability of countries willing to subscribe to its worldview. This has lasted for some 70 years but some feel it is unlikely to extend much past the next half century. Conservative estimates, albeit ones that are based on current trends, project that, within 20 years, the overall Chinese economy will be about one-third larger than that of the US and even then outpacing US growth because, on a per capita basis, it will have some distance to go before reaching a developed-world slowdown.

These days America's global leadership is undeniably being eroded by its own president, but Chinese policy has also taken a more overtly aggressive and nationalistic turn under its president so it no longer presents a viable, inclusive alternative. When China's ascendancy was still less certain, it was content to adhere to the sensible guidance of listening to others before expressing itself, good advice I expect we all got from our mothers but which is now apparently in retreat on the world stage based on the behaviours we are now seeing in many prominent leaders. Deng Xiaoping expressed this as a diplomatic dictum: "observe calmly, secure our position, cope with affairs calmly, hide our capacities and bide our time, be good at maintaining a low profile, and never claim leadership". This was adopted as policy by China and they preached coexistence, collaboration and cooperation as opposed to seeking confrontation and competition, but that it seems is no longer the case since the ascendance of Xi Jinping as President of China and, more recently, the election of Donald Trump, both apparently special people who aspire to power and whose opinions of themselves know few bounds.

To advocates of the current world order, basically a Pax America where the US is the ultimate global peacekeeper and policeman, an emerging Pax Sinica sounds a bit sinister. To Chinese people however – and every Chinese person has a keen sense of history – it is a reversion to an historically validated millennia-old role. Previous Pax Sinica's were golden eras in Chinese history, periods when China was an open, cosmopolitan and enlightened civilization exercising more soft than hard power to become the dominant player in Asia. A civilization as old, as continuous, and as resurgent as China has a sense of destiny.

What that destiny is going to be remains contingent on events but the point that a newly assertive China wants to make to the world, and particularly to its neighbours, is nuanced. On one hand, consistent with centuries ago, it denies having any territorial aspirations. Chinese historians and policymakers frequently allude to the difference between the Chinese concept of a China-centric hegemony and the Western notion of a territorially expansive empire. China's record as a responsible global player in climate change, financial services or regional infrastructure investments is growing. However, it is noteworthy that Chinese military spending overtook that of Russia in 1998 and today is more than double that of Russia although still less than that of the US and that even as current trends suggest reaching military parity may take longer than 20 years, it is within sight of medium-term strategic planners in both China and the US. In light of this, it looks as though they are committed to some kind of Pax Sinica, no matter whether the world likes it or not.



China's economic advance has been nothing short of spectacular in recent decades, per capita wealth has risen from US\$156 in 1978 to nearly US\$10,000 today. Many other developing countries are watching it with some admiration and are looking to jump on board its development train. In this regard, the Communist Party of China holds itself up as being solely responsible for lifting more people out of poverty faster than ever before in human history, perhaps conveniently overlooking the fact that it had a lot of help from the world's universities, trading institutions, and investors – none more so than those in the western world, including the US.

These failures to acknowledge the contributions of other nations and peoples are in fact oversights and snubs and as a consequence there remain a number of areas where it still has to convince sceptics that it will be a force for good. Locally it has to contend with deep-rooted clear-eyed wariness from Japan, Vietnam, India and much of ASEAN but the rest of the world community is also watching. One might note that its defiance over its "One China" stand with regard to Taiwan and its claim(s) to and militarisation of the South China Sea, to say nothing of Tibet and reports of increasingly sophisticated and pervasive surveillance and repression throughout, and even Human Rights abuses in north western parts of, the country do not conform to its self-proclaimed image as globally inclusive and egalitarian. The country's militant stand on these are not all that reassuring, especially when even mere mention of any of them is generally enough to draw threats of severe consequences.

In short, despite their posturing and playing to the strength needed to level such threats, China in reality behaves as if its apparent success is fragile i.e. an increasingly intrusive and dictatorial

strongman domestic presence. It may be that the Chinese do play the long game and know they are not as strong as they seem, but historically they miscalculated horrendously as they were getting to know colonial powers and their “Century of Humiliation” is rooted in their inability to see a reality based on parity or recognize problems with their own self-perception(s).

China has reversed course on a number of fronts since Xi Jinping became President. The reform era, launched by Deng Xiaoping in 1978, is apparently now over and all the policies that have driven the transformation have now been reversed. When Deng initiated his economic revolution four decades ago, he knew China could not modernize without the help of the West but now, despite its rhetoric, instead of opening to the world it has embraced economic nationalism while market-oriented reform has ground to a halt. Politically, collective leadership has again yielded to strongman rule and the presidential term limit, put in place by Deng in 1982, was abolished in March this year to enable Xi Jinping, the incumbent, to serve indefinitely. Xi’s ending of term limits removes the single best thing about the regime that emerged after 1978: that which had institutionalized rule with term limits, mandatory retirement and collective leadership. In short it now seems the country is returning to the kind of system that Mao created prior to the Cultural Revolution. And now with the implementation of a new “social credit” system, big data and artificial intelligence are being recruited to enforce a kind of totalitarian control that we have not seen outside of science fiction.

Dissenting views of current government actions and policies are widely shared by elites in China, some have gone so far as to publish views that declare that hyping the so-called “China model” - the idea that state-capitalist development under autocracy is superior to liberal democratic capitalism - is not only dangerous, but also responsible for the clash between China and the West. This has the ring of truth, but few dare voice any criticism for fear this would invite a visit from anti-corruption investigators. (Note: Xi’s signature “anti-corruption” campaign has been ramped up again since summer to defend his authority and between July and mid-November, fourteen “tigers” (high-ranking officials) have been arrested on corruption charges, compared to just ten in the first six months of the year.)

As a bit of an aside, the Party recently endorsed something called “Xi Jinping Thought on Socialism with Chinese Characteristics”, a philosophical treatise from the President that is now enshrined in the Chinese Communist Party’s charter as one of its guiding ideologies. There are 10 significant institutes spread amongst China’s universities dedicated to studying “The Treatise” and it appears that all of these are needed to interpret what is described by The Economist as a woolly hodgepodge of Dengist (Deng Xiaoping) and Maoist terminology combined with vague ideas on a range of topics. Xi Thought is now being hammered into minds through the whole of the education system and academia using Party propaganda, Party levers and all Party cells where ever they are so that all of China can come to understand it. Actually developing a real understanding is apparently more of an ordeal and probably not really required, a reflection that the Party has a long history of requiring people to simply mouth leader’s slogans as a way of showing loyalty. Xi Thought is formally described as a summary of the Party’s collective wisdom but independent assessments observe it is a compilation of platitudes repeated around Beijing for the past 40 years that offers an unprecedented opportunity to observe the nothing less than the poverty of China’s state-enforced ideology”.

China has been down this road before but in this case they are still promising to allow people to get rich as long as they do not interfere in politics. Estimates on just how big China’s middle class is vary depending on the definition. China’s statistics agency puts the figure at nearly 400

million, just less than a third of the population, by defining a middle-class household as one making 25,000 yuan (US\$3,640) to 250,000 (US\$36,400) yuan a year – a fairly low threshold. But in a 2015 report, the investment banking company UBS and PricewaterhouseCoopers narrowed it to 109 million Chinese with wealth of between US\$50,000 and US\$500,000 – a relatively high standard.

The Party and the People all know the sustainability of this system depends critically on the continued effectiveness of its economic model, something which is in fact not as solid as many presume. In short, the picture China presents to the world about its economic strengths is, at best, misleading. For example, Chinese statistics are widely acknowledged to be next to worthless, supporting the premise that the rise of China has also been the rise of Chinese make-believe. To be sure, China's rise is not some kind of mirage, but it has, again in fact, made its strides atop a pile of public and private debt that is now \$34 USD trillion high. It is true that the rising wealth of Chinese and the sheer number of people in China has already created the biggest market in the world for many multinational companies, from Apple to Volkswagen but consider for example that growth rates have been pumped up by very heavy borrowing, most especially from provinces and municipalities trying to achieve their nationally mandated minimums. However, it is simply not possible that a country can invest about 50 % of its GDP, as China has been doing in recent years, and not suffer huge setbacks down the road as these investments fail to earn real returns.

Recent studies have concluded that approximately 22% of residences in China stand empty, a number that adds up to more than 50 million empty apartments and houses across the country, even as what seems to be a construction boom continues and the build continues at a frantic pace. Part of the problem is that investment opportunities for Chinese citizens are severely limited by the government and real estate has been about the only investment option available. And it is a problem as real estate represents almost 75% of household wealth in China. These homes are deliberately kept off the market so the country is suffering an empty inventory glut to artificially support prices. Unfortunately when the market turns and prices start falling, panic liquidation may overwhelm and produce the biggest market crash - ever.

There are contrarians who point out that the phrase "Rise of China" is now so commonplace that we treat it more as a fact of nature than as a prediction of a familiar, and perhaps more disheartening sort. To clarify, we have seen the hype before: it is a repeat of the claims made erroneously about the Soviet Union in the 1950s and '60s; about Japan in the '70s and '80s; and about the European Union in the '90s and '00s. Somewhat counter-intuitively, such a declaration is now seen by some to be more a kiss of death than an actual boost. In fact, based on its current demographic profile and a birth rate of about 1.2 births/woman (which is 0.15 b/w higher than the 1.05 rate recorded in 2015), China is facing an aging crisis and population decline in its near future that will see its population decline from 1.4 Billion today to 1.04 B by 2050 and 480 Million by 2100. The workforce in China is already contracting, something that is projected to continue for the foreseeable future and which when combined with the aging population, the lack of any social safety net, prevailing social mores on having children since the one-child policy became the norm and the still limited investment opportunities for people, innovation and the resulting economic productivity and resilience it drives in the country is projected to decline, quite possibly precipitously.

Also in this regard, consider that in 2014, a year in which Beijing posted an official growth rate of 7.3 percent (compared to 2.6 percent in the U.S.) capital flight from China, according to a UBS estimate, totalled \$324 B USD. This increased through 2015 and 2016 to \$676 B and \$725

But respectively according to the Institute of International Finance. Some of the money was no doubt invested abroad productively not just in real estate or bank accounts, but then there's still that unruly fact that some 46 % of wealthy Chinese wish to emigrate. One is left questioning: if China's prospects are as bright as China boosters think they are, why do China's most fortunate sons and daughters see their future elsewhere?

As one commentator matter of factly put it, as Canadians we assume things like individual rights, democratic choices, Rule of Law, competitive markets, high levels of transparency, low levels of government corruption, independent news sources, and freedoms of thought, conscience and speech are unassailable, perhaps too easily taking them for granted and assuming they do not require defending. They are in fact assets beyond price, just like the old saw where "you don't miss something until it is gone", and it is foolish to assume others value them in the same way and/or that some people are not interested in relieving you of them for their own benefit.

So into this mix we now get Donald Trump. For all his talk about the trade imbalances with China, the issue of technology theft is more important to the US and other western economies and to our joint security. Forced transfer of IP is a near ubiquitous phenomenon experienced by American companies seeking to sell products in China. He rose to his position largely on his accusation that China, and in fact all the other nations of the world, have been stealing American prosperity for years and that it has to stop. He has stoked the outrage of many in the US and has launched a trade war with China, and much of the rest of the world for that matter, as part of his Make America Great Again pitch to reclaim America's position at the top of the heap. The fact that the US has been and remains the most prosperous and dominant economy in the world and is in fact the economy that has grown more than any other since at least the early 1940's remains beside the point, but that is his truth and he is sticking with it.

The immediate impacts of the spiralling friction between the two has not thus far been particularly large but they are likely to grow over time, and accentuate other significant domestic challenges. The damage inflicted thus far on China's economy has been limited to between 0.2%-0.5% of gross domestic product, an amount easily absorbed in China's \$14 trillion economy and more than likely offset by monetary policy easing that has been going on to combat the effects of tighter financial policies. There also remains the fact that most people in China are reportedly willing to work 24/7 without a lot of coercion. That is probably because the privations of the Cultural Revolution are still fresh in enough people's memories that they are willing to work as hard as they to avoid a relapse. This parallels how our grandparents reacted as they recalled the privations of the Great Depression and the war(s) that followed but we are not quite as motivated any longer.

All this being said however, the trade war is not occurring at a propitious time for Beijing. China's stock market, the yuan and the economy have all been under pressure. The Shanghai Composite index, now at its lowest level since November 2014 has fallen 25% since the start of the year. China cannot match US tariffs because it imports only a quarter of the goods it sends to the U.S. The yuan has fallen more or less in line with the broad trade-weighted U.S. dollar but it is unlikely to risk the wrath of the US and other countries for the time being by aggressively devaluing the yuan. Complaints by the US about China's currency manipulation seem a bit misguided at this point because the People's Bank of China has had to exercise tighter control over the currency to keep it from falling faster. Chinese authorities have however been "softening" their macroeconomic policy stance by boosting liquidity, allowing interest rates to fall, approving increased local government bond issuance and expenditure, lowering collateral

requirements for lending, boosting infrastructure spending, and promoting "pilot free trade zones." and these have thus far prevented a sharper economic slowdown from occurring. The government understands that slower growth will undermine its attempts to overcome other medium-term challenges. There is, for example, their aging demographic: as the working age population falls relentlessly in coming decades, China needs new productivity-led growth to sustain economic dynamism and look after the surging number of people aged 65 and over. By 2050, China will have barely 2.5 workers per senior citizen, compared with over 7.5 today.

Notwithstanding these sorts of doubts, what really matters in this discussion is the future, not the past, and whether a nation built on constraining the freedoms of ordinary people (them) can outpace, outsmart, and outlast others built on defending and broadening those freedoms (us). That is a question that remains in front of us but events are conspiring and the urgency of discussing the implications is rising. Caution may be warranted as even philosophical acceptance of decline is not likely to sit well with those wielding power (i.e. the current leadership on either/both sides) and that any such transition is best assumed dangerous.

The outcome of the trade talks committed to at a high-stakes summit between President Xi Jinping and his US counterpart Donald Trump on December 1 will determine the trajectories not only of China-US relations but also the world economy, and particularly the stock and capital markets. In summary the agreement has the United States delay raising some tariffs on Chinese goods for 90 days, allowing the two sides more time for trade talks while in return, the Chinese agreed to purchase more American goods. Both have good reasons to make concessions over trade: China's debt-heavy economy is slowing more than experts expected, while there are areas of emerging weakness in the United States as the effects of Mr. Trump's tax cuts and spending increases begin to wear off. Of most concern to the President Trump, the trade war has started to bite American farmers and some manufacturers, while the United States stock market has erased almost all of its 2018 gains amid trade and economic jitters. At this point the agreement between Presidents Trump and Xi to pause the trade war and work towards a mutually beneficial resolution appears aimed at giving both of them some political breathing room. This makes it more of a political agreement than a substantive one.

It is hard to say how things are going to go. Unfortunately by the day after the meeting, Bloomberg News released a comparison of the statements by both sides after the meeting and found two "parallel and rarely overlapping" messages. "The US listed what China had agreed to in exchange for a 90-day pause in raising tariffs on Chinese goods, while Beijing focussed on the broad reduction in trade tensions, without going into specifics. Contradictions from Trump's cabinet on the meeting results and a move by the US government to arrest a prominent business person from China on what is arguably a fabricated excuse to hobble one of China's most dynamic companies, Huawei, appeared within hours of the meeting with the result that what Trump and Xi actually agreed to was thrown into confusion. Market euphoria of the previous day turned on Tuesday as markets in New York declined, with a 799 point loss on the Dow leading the way. Subsequent days have seen further losses in the markets, further legal distractions for President Trump, further actions by the US that do not seem geared to build trust or confidence between China and the US or actually between any trading partners.

And so with that, it seems we have these continuing distractions from the very real problems that are becoming more urgent by the day. It is, in other words, a reality show that looks to be on stage for a while here yet.

Travel Tips

YVR security has recently undergone some changes. The Nexus line still occupies the far right hand side of the area but there is a new Fast Track line available to Business and Premium Economy customers that eliminates much of the wait suffered by the masses. The regular security line at YVR on our day of travel was extended and took about 30 minutes while the Fast Track line was through in about 5 minutes. I mention this because travellers can apparently get a “Green Stamp” from check-in that allows access to Fast Track no matter what class they are travelling in.

We flew with Capital Beijing Airlines on this trip. They run direct flights from Vancouver to Qingdao and visa versa every Sunday. The First Class travel on Capital Air was rated as OK, maybe with a 60 - 70% grade relative to Air Canada by the guys who travelled in it. A fair grade for Economy Class would likewise be about 75% ,even though the latter sections were only about 50-60% full. Translation with hospitality staff remains a bit of a problem although they seem pretty good natured about it. The Economy fare was about \$800 CAD vs about \$3,000 CAD for the first class upgrade.

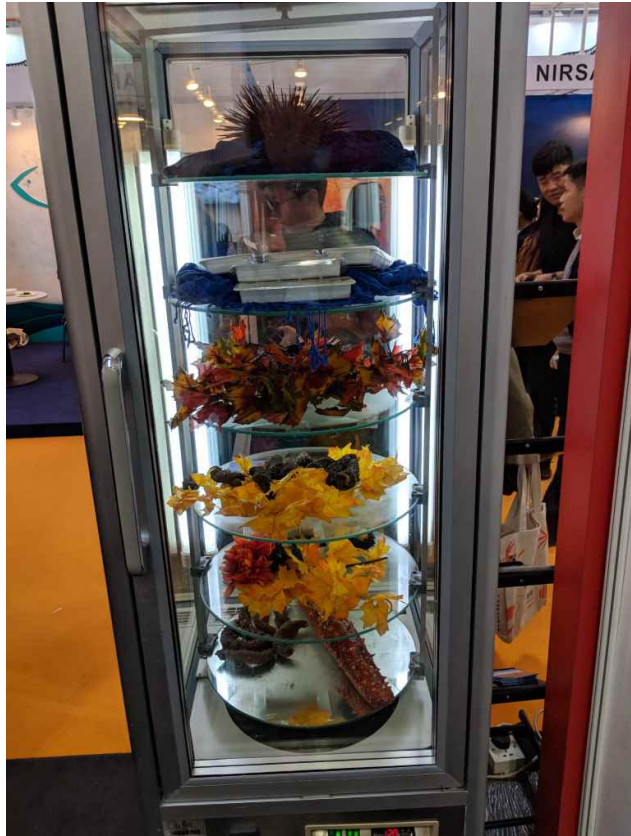
Show Report



Mike, Dave, Pat and Geoff attended the venue the day prior to the show opening to set up our booth. This was our fourth time showing at this venue and in previous years our booth was located right across the aisle from the BC booth. The co-location is something that has been

leveraged to advantage by both us and the BC booth something that factored into the decision to continue absorbing the additional expense of having our own booth because the proximity, visibility and cross-aisle traffic has worked well for both of us.

On this year's plan however we are isolated from the BC booth and are located on the backside of the adjacent booth so we actually face onto an aisle 2 away from the BC booth. We correctly anticipated that this change would seriously affect our visibility, dramatically slow traffic and render cross-aisle cooperation with the other companies and groups in the BC booth that much more difficult. We hope to get back to our old position next year.



The display freezer was again central to our exhibit. We had ordered a display chiller with the idea that we could store and exhibit the product in it for the three days, but somehow the order got messed up and they again delivered a freezer as we had gotten in previous years. We caught this fairly early so did not actually lose a lot of product, but it was another example of how easily communications can and do get messed up in China.

There was also a bit of confusion arising from a change in management at the BC booth this year. There was a new lead taking care of things at the BC booth, Jenny Zhai from the BC International Trade and Investment Office in Beijing, and things were a bit chaotic as everyone settled in. In previous years, Solveig McLaren from Victoria was the lead while Nathan Fong, a celebrity chef contracted from Vancouver, took care of the sample production and preparation area and also

coordinated the many contributions from BC companies and associations participating in the show. This year a local chef was brought on board and it took a little while before things started rolling as smoothly as we had seen in previous years. Once he got settled in he did a good job and



kept a steady stream of samples rolling out of the BC booth kitchen. Things settled down in the BC booth after the initial first rush that happens when this show first opens but Solveig and Nathan had years of experience on how things so easily tend to go sideways and generally better kept ahead of things than seemed to be the case this year.

Grand Hale again provided us frozen uni to use as samples, a much easier proposition for us than trying to hand carry fresh product into the show, especially as the China

Customs has beefed up its inspections and indicated through the show organizer that it will be clamping down on such samples, despite the hardships, extra costs and complications such measures throw up for samples of seafoods like uni with its extremely limited shelf-life fresh products to the show.

The booth worked out nicely, although it is, at 9 square metres, smaller by about half than the booth we get at the Seafood Expo Asia in Hong Kong. The four Association representatives were joined by four processors with business with China: Pat Fantillo from RBS, Paddy Wong from Paladin/Premium, Melody Fan (Canadian Food) and Crystal Gao from Providence, so there was quite a bit going on around the booth. We again hired a couple of translators to help us out, but it became apparent on the first day that we were going to have to exercise more control to keep things operating smoothly.



Issues first emerged when the information counter and initial contacts were dominated by Melody and Crystal because they speak Mandarin and could speak to any and all who looked at all interested. They also more or less covered the top of the counter with brochures from their companies and in so doing at least partly obscured those of RBS. Things were definitely crowded around the booth for a while and Pat, the RBS rep, was kind of pushed out of

the booth with one of the interpreters because there was simply no room at times. RBS has been a strong supporter of our program from the very beginning and they felt there were some issues of fairness that need to be considered when this sort of thing happens.

This was not the only issue that arose during the show. Another young fellow from Canada who is apparently involved in the sea cucumber business was introduced to us by Paddy as a colleague. On the strength of that introduction, he was allowed to display some brochures and be a part of our booth but it soon became apparent that Lance, our “guest”, was not credible and was in fact a serious threat to our credibility. On examination his brochures were filled with inaccurate and likely deceitful information that could not withstand scrutiny. The initial clues came from claims in the brochure that the company he was representing was based in the “Port of Haida Gwaii” and produced the best *Apostichopus japonicus* (Japanese Sea cucumber) available. He was soon dis-invited from sharing our space at the booth and asked to leave.

Both of these incidents created problems for others exhibiting in the booth and discussions amongst members and the association executive teams resulted in a change as soon as the booth opened the next day. The cost of the booth is covered by the two associations with the understanding that all interested member companies can share the venue to develop or support business in China to benefit not just their company(ies) but also the industry in more general terms. Keeping it accessible and fair to all member companies is key, and the way things started out this year demonstrated that we now need some policies to ensure that remains the case.

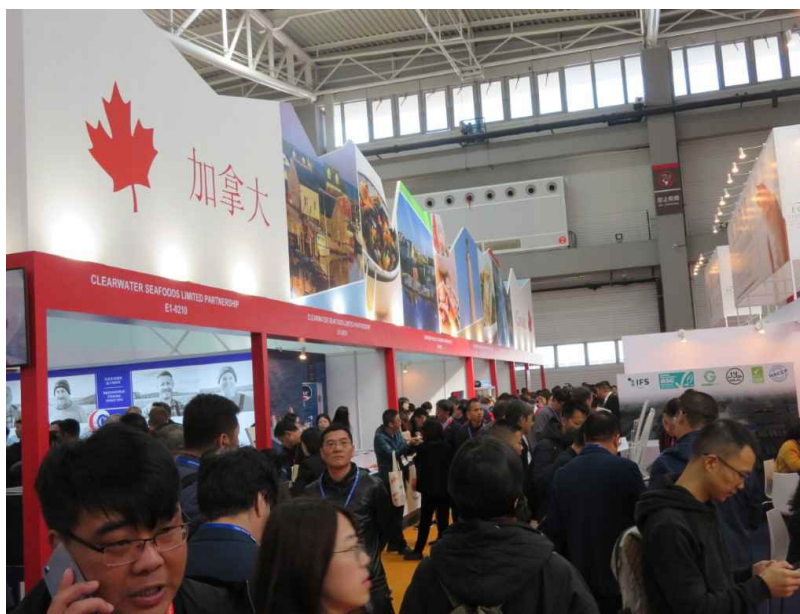
One key here is “Member Companies”. As became apparent this year, it does not take any conscious or deliberate effort on the part of a single agent. Simply not controlling the number of participants is sufficient to break up the collaborative balance in the booth. A new policy proposal for exhibiting at the booth includes requiring an application for first-time exhibitors. Approval of the application will turn on either the applicant owning a licence or having written confirmation from a licence holder that they are active in the fishery. An implied endorsement by more simply “just showing up” with an established processor or exporter is insufficient. In cases where companies are affiliates (i.e. not members by way of owning a licence), only one affiliate per company will be approved and only one representative per affiliate will be allowed and then only as guests with restricted Rights (i.e. subordinate to members) in the booth.

Another company active in the Sea Cucumber fishery that was part of the BC booth brought over some of their company brochures for display. She was apparently responding to advice from Francis Cheung of Grand Hale Marine Products who advised that our booth might be able to accommodate more brochures as part of our exhibit. Given the modesty of the request and the claim that the company owns a sea cucumber licence we allowed their pamphlets in the rack. Because nobody present at the booth could actually vouch for them we are also thinking some sort of registry confirmation or proof of ownership of a licence might be in order, although this could be taken care as part of the initial application as mentioned above.

We are also formalizing how activities unfold in the booth. Having copies of contact cards and/or other media is very important as the catalogue of contacts for the show is used as a metric for assessing the show’s success and value to the industry. All the contact information collected at the booth is shared with members, a detailed breakout including email, website (if provided or found) and a linked jpeg of the actual “card” is distributed on request while the general outline is available through this report. Given the importance of this process to our project, all initial points of contact should be through the translators- that way we can be assured of getting as

much contact information as possible on all visitors and ensure that no one is creaming off the best customers for themselves. This means the two stools at the counter are reserved for the translators. Once the initial contact is made and the information collected, member companies can carry on with conversations etc. but in a fashion that does not impede or block access to the front counter or other introductions, preliminary meetings or even hospitality at the booth. We also suggest that more private or confidential conversations or meetings with new or existing clients are best conducted away from the booth, although even in these cases we still like to get copies of the contact information.

Show Results



The Canadian Pavilion is right at the entrance to the overseas exhibitors part of the show which is an advantageous location as all entering pass by. This show always seems to open with a bang with steady and heavy traffic over the first few hours and things are always a bit hectic at the beginning. Overall though traffic throughout seemed a bit slower at the show this year in comparison to last, something that was kind of anticipated as traffic at the Seafood Expo Asia in Hong Kong also came in a bit

slower. It is therefore hard to say whether the “isolation” from the BC booth actually made much of a difference although there was less back and forth dialogue between them and us. It is also difficult to pick out traffic changes from other years other than to say the first two days are busier than the final day, but that is the same as any of the show we attend.

There was some speculation that the Shanghai International Import Expo, held from November 5- 10, 2018, was stealing traffic from the CFSE. It was the inaugural this year and booth prices were apparently subsidized so it was perhaps a cheaper option this year. President Xi Jinping also delivered a keynote address on the opening so it was a pretty high profile event. There were also comments that fairs in major centres tend to be more attractive than shows located far from any town, aka the middle of nowhere, with the implication that the location of the CFSE remains somewhat remote.

Qingdao is a city of some 9+ million people, not large by Chinese standards but still substantial. It is a fairly diverse and picturesque city with a fair sized ex-pat community including about 60,00 Koreans. It has a nice waterfront that is very pleasant to stroll along on nice days. You might have noticed some pictures included in this report to help provide a better idea.



The venue for the show in Qingdao is located about 60 km from the city centre as the crow flies, so “isolated” is not an inaccurate description. The many apartment blocks being constructed around the venue are still unoccupied, something that is hardly surprising because the pace of construction in China is still best characterized as “frantic”. It is interesting that the only evidence of their impending construction last year was the ground preparation for their foundations. At any rate, there still seems to be very little to “do” after hours anywhere in the area at this point, and this likely to remain the case for some time.

It is apparently getting closer though as the transport infrastructure is being improved. The train from the city centre was completed in time for the show this year but the transit time is still in excess of an hour each way from the Shangri La. This compares to up to 2 hours by road if the traffic is bad. We did a couple of road trips while at the show and grid lock seems pretty standard for the traffic conditions that we experienced. We heard from folks at the show that the train was comfortable, quiet and relatively convenient although the station for the expo site is about a half

kilometre from the entrance and a transfer between trains is required making it somewhat difficult to carry bags etc. We however stayed again at the Grand Metropark Hotel about 5-6 kilometres from the expo site and avoided the long commutes each day.

As mentioned before, the expo site itself is a very large facility and there are a couple of large hotels close by to accommodate visitors and delegates to events held at the venue. There is also, as mentioned above, a subway/elevated train that runs from the centre of Qingdao to somewhere beyond the expo site. It is all rather impressive but, probably because we are from a society where investment decisions are not always apparently based on the adage “build it and they will come”, it strikes us as a bit strange to have so much investment and infrastructure located so far from the beaten path. In fact, local knowledge suggests that none of these facilities see a lot of business other than the CFSE expo, a once a year deal. There are reportedly a couple of other smaller events throughout the year but even the whole stable of events could not possibly support such enterprises on their own in our market driven economies.

Year over Year comparisons of traffic and collected contact information at the CFSE

	Daily Totals									Both	Urchins		Cukes	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	joint	sole	% of show	sole	% of show
Day-1	25	34	27	34	43	50	31	42	32	10	2	19.4%	19	46.8%
Day-2	20	21	32	48	22	38	36	39	20	3	6	14.5%	11	22.6%
Day-3	10	12	13	16	6	14	7	11	10	1	0	1.6%	7	12.9%
Total	55	67	72	98	71	102	74	92	62	14	8	35.5%	37	82.3%
Avg Score	7.39	5.92	5.69	5.12	4.84	5.2	4.49	4.6	4.53					

At any rate, as can be seen in the above Table, traffic was off about 30% from the year before, dropping in fact to the lowest number we have seen at this show save for 2010, the very first year we exhibited. The traffic patterns are similarly reflected in the giveaways tracking seen in the table below. The qualification scores of the visitors to the booth remained pretty consistent with previous couple of years at around 4.5-4.6. More detailed contact information is provided in the 3 tables following the giveaways table

One feature of interest this year was the proportion of visitors to our booth that were interested in sea cucumbers as opposed to sea urchin. Prior to 2014 it was fairly balanced, while in 2015 and 2017 interest in urchins was higher (3:2) but in 2016 and now 2018 the preferences were, at 1:3 and 1:4 respectively, strongly in favour of sea cucumber. Whether this had anything to do with the reported die-off of billions of dollars of ranched sea cucumber in the Yellow Sea this past summer remains speculative, but it does appear to be a bit of a pattern starting to develop with these numbers. I do not recall hearing any reports of sea cucumber shortages in 2016.

Brochures and other give-aways CFSE 2018

Item	Requested	Supplied	Plus	Day1	Day2	Day3	Total Used	Returned
PUHA DVD #1 (Mandarin, Cantonese + English)	0	0	0	0	0	0	0	0
PUHA DVD #1 (Japanese + English)	0	0	0	0	0	0	0	0
PUHA DVD #2 (Mandarin)	0	0	0	0	0	0	0	0
PUHA DVD #2 (English)	0	0	0	0	0	0	0	0
PUHA Brochures: traditional*	50	50	0	17	3	1	21	29
PUHA Brochures: simplified*	200	200	0	57	61	42	160	40
PUHA Brochures: English	100	100	0	54	4	27	85	15
PUHA Brochures: Japanese	0	0	0	0	0	0	0	0
Uni samples (grams)	3,000	3,000	0	1,500	1,000	500	3,000	0
Smoked salmon (g)	0	0	0	0	0	0	0	0
PSCHA Brochures: simplified	200	200	0	70	52	39	161	39
PSCHA Brochures: English	100	100	0	14	28	20	62	38
Company Brochures		0	0	0	0	0	0	0
B'cards (500 for MF, DM, Seagate)		unknown	0	not	tracked			

Day One of the 2018 China Fisheries and Seafood Expo

November 7, 2018

Product	Country	City	Business	First Name	Last Name	Company	Score	Comment(s)
SC	China	Beijing	wholesale	Amelia		F. Harmony Land (Beijing) Intl Food Co. Ltd.	5	looking for processed product
SC	Japan	Kobe	producer- distrib	Shigeho	Ueda	Ocean Choice Intl Co. Ltd.	5	head office is in Canada, fleet ops = big draggers in Newfoundland
SC	China	Guangzhou	trader			Guangzhou Seafood Development Co. Ltd.	4	
SC	China	Qingdao	distributor			Qingdao Sainfland Sea Cucumber Co. Ltd.	4	website could not be found
SC	China	Hong Kong	distributor	Nelson	Tan	Aldrich Bay Resources Ltd.	4	Website not done...therefore- despite need for 500 MT- downgrade em
SC	China	Hong Kong	trader	Xiao	Qiu	Yantai Haiyue Import and Export Co. Ltd.	4	web address = BS so
SC	China		restaurant				2	no info included
SC	China	Guangzhou	distributor	Wang	Feng	Guangdong Guangyuan Fishery Group Co. Ltd.	5	have a variety of finfish products with some prawns but no SU or SC
SU&SC	China	Qingdao	trader	Dan	Wang	Qingdao Good Trading Co.	4	
	India	Kerala	producer/exporter	O.T.	Alexander	National Seafoods Co.	4	website not found
SC	China	Qingdao	distributor	Shan	Xinzhan	Blue Horizon Group	5	looks like a travel site- like Travelocity so... downgrade em
SC	China	Beijing	distributor	Ding	Rui	Beijing Haiyingge Food Co. Ltd.	5	website does not work/load so... downgrade em
SU&SC	China	Shanghai	catering/restaurant?	Ahua	Xie	WOWPrime	5	high end dining experiences in Shanghai, Beijing and Shenzhen
SC	Germany	Hamburg	distributor & trader	Shumin	Yin	Yin Seafood GMBH	5	importing tuna to Germany since 2001; also other exotic species now
SC	China	Shenzhen	wholesaler	Chi Keong	Chang	unsure- no translation possible?	4	looks like he has a booth in the Shenzhen louhou wholesale market
SC	China	Beijing	wholesale	Yang Shu(Jason)	Xu	Beijing Food Co. Ltd.	5	
SC	China	Wuhan	traders	Xuan	Zhang	Wuhan Jin Yanbao Trading Co. Ltd.	5	
SU&SC	China	Qingdao	print shop	Chongshuai	Zhu	Qingdao Haihong Colour Printing Co. Ltd.	4	high end package printing and packaging
SU&SC	China	Guangzhou	logistics	Wingo	Chan	InterMax Logistics Solution Limited	5	provide (brokers?) all sorts of logistics/transport services
SC- meat	China	Shanghai	distributor			Shanghai Haoyang Foods Co. Ltd.	4	
SU&SC	China	Dalian	traders			Dalian Dangzheng Trading Co.Ltd.	4	
SC	China	Chengyang (?)	distributor			Chengyang Stem Market	3	
SC	China	Shenyang	traders	April	Jiang	Shenyang Hairuiao Commercial Ltd. Co.	4	
SU	China	Beijing	traders			Zhong Shang Jing Lian (Beijing) Comm. & Trading	4	
SC	China	Qingdao	retail	Chen		Qingdao Tea Co.	5	
SU&SC	China	Jinan	video marketing (?)			Shandong Hailai Yunshi Co. Ltd.	6	have # of shopping channels + e-comm sites; also have SC farm
SU&SC	China	Guangzhou	logistics/shipping			Guangzhou Top Shipping Co. Ltd.	4	
SU	China	Guangzhou	distributor	Party	Joan	Guangzhou Habitat Trading	5	
SU&SC	Canada	Richmond	holding co.	Max		Max Fresh Holding Inc.	4	
SC	Canada	Richmond	exporter	Sunny			4	apparently affiliated with factory in Jinan
SU&SC	China	Beijing	gov't	Jenny	Zhai	Govt of BC Business Devt	6	this was the young lady running the BC booth
SU&SC	China	Shanghai	gov't	Leo	Qiu	Govt of BC Business Devt	6	assisting in BC booth

Daily total contact #	2018	32	2018 avg daily score	4.47
	2017	42	2017 avg daily score	4.81
	2016	31	2016 avg daily score	4.37
	2015	50	2015 avg daily score	5.24
	2014	43	2014 avg daily score	4.91

Day Two of the 2018 China Fisheries and Seafood Expo

November 8, 2018

Product	Country	City	Business	First Name	Last Name	Company	Score	Comment(s)
SC	China	Harbin	traders			Enlin	4	
SU&SC	China	Hong Kong	restauranteur	Ryan	Kwok	Maxim's Group	7	Asian fast food chain, multi-themed- different cuisines
SC	China	Dalian	distributor			Shenyang Xinyuan Co.	4	
SC	China	Hubei	supplier			Hubei Modern Agriculture Supply Co. Ltd.	3	
SU	China	Wuhan	traders			Izumiya	4	
SC	Norway		producer/exporter	Gunnar	Holland	EIR of Norway	4	startup Norwegian co. harvesting, processing and exporting SC to China
SU	South Korea	Sungnam City	trader	Sangwon	Lee	Il Shin Seafood Corp.	5	wants processed uni
SC	Canada	Montreal	trader	William	Meng	Canjane International Inc.	5	Atlantic sea cukes- it looks like they do e-commerce sales as well
SU&SC	China	Guangzhou	catering	Xiao Yong	Xu	Guangdong Sheng Yufu Catering Mngt Ltd.	3	
SU	South Korea	Incheon	import/distrib	Adam	Yoon	Lobster Hub	6	looks good except does not seem to have working website- downgrade
SU	China	Hong Kong	import/distrib	Terence	Ng	NutriLink Ltd.	7	e-commerce sales, has been buying fresh trays in HK but wants direct
SU	China	Dalian	distributor	Li	Jun	Dalian Diving Products Ltd.	5	looking for trays
SC	China	Guangzhou	distributor			Kalaok Seafood Co. Ltd.	4	from same 'market' as company below
SC	China	Guangzhou	distributor			Teng Yuan Seafood Firm	4	from same 'market' as company above
SC	China	Laizhou	traders	Haibo	Chen	Weihai Heda Trading Co. Ltd.	4	website is a fake- downgrade
SC	China	Qingdao	traders	Steven	Sun	Oceanfriends International Trading Ltd.	5	
SU&SC	China	Chongching	traders	Mingjin	Wang	Chongching Seasonsdo Int'l Trade Dev't Co. Ltd	5	
SU	China	Shanghai	traders			Yangsh Foods	5	website is a fake- downgrade
SC- meat	China	Hong Kong	traders	Vivien	Fung	Dah Ching Hong Ltd.	6	trades/distributes wide variety of foods- also has a retail arm: DCH Foods
SC	China	Mohehot	traders	Mars	Xiao	Inner Mongolia JinRong Trading Co. Ltd.	5	

2018 count	20	2018 avg daily score	4.75
2017 count	39	2017 avg daily score	4.38
2016 count	36	2016 avg daily score	4.75
2015 count	39	2015 avg daily score	5.51
2014 count	22	2014 avg daily score	4.77

Day Three of the 2018 China Fisheries and Seafood Expo

November 9, 2018

Product	Country	City	Business	First Name	Last Name	Company	Score	Comment(s)
SU&SC	China	Qingdao	travel concierge	Michael	Carnation	Qingdao Migo Int'l Travel Services Inc.	4	premium travel concierge service- Clearwater = major current customer
SC	China	Qingdao	business dev't				3	website fake, no determine service/business, names- x3 downgrade
SC	China	Hunchun	traders	Tingting	Zhang	Hunchun Yuanyang industry and Trade Co. Ltd.	5	located on NE coast by Vladivostok, ergo lots of Russian trade
SC	China	Beijing	traders	Lin	Zhang	Beijing Yourefangyuan Co. Ltd.	5	
	Canada	Neguac	producer (oyster)	Amedee	Savoie	Maison Beau Soleil	4	working on robots for measuring/packaging oysters
SC	Canada	Halifax	licence owner	Jim	Zhang	Seacoo	5	bought 4 SC licences, Paladin cooked. Now in Halifax but moving to BC
	Canada	Gaspereau Valley	wine producer	Gillian	Mainguy	Benjamin Bridge Winery	3	supplied the wine on the last day
SC	Canada	Richmond	trader	Sang	Zheng	Grand Ocean Int'l Trading Ltd.	5	bought SC licence this year- GHMP cooked. Also leased others
SC	China	Dalian	trader	Sheng Jie	Liu	Dalian Sheng Tailong Trading Co. Ltd.	4	
SC	Canada	Richmond	trader	Shuru	Qu	Seayaya	5	just moved into BC market, Seeking info on fishery for license purchase

2018 count	10	2018 avg daily score	4.3
2017 count	11	2017 avg daily score	4.55
2016 count	7	2016 avg daily score	3.86
2015 count	14	2015 avg daily score	4.21
2014 count	6	2014 avg daily score	5.00

It is impossible to claim that this catalogue of contacts is the full record of visitors to our booth for this show as, like with almost everything these days in China, contact information is often exchanged using phones and the pervasive social media app WeChat. Both PUHA and the PSCHA would be well advised to update their web presence so they can exchange (ie. accept and send) contact and other information via QR code exchange. This is probably a still developing development that is only going to grow in the future.

This may not be a simple matter of setting up the functions on our website as things in China are “different” and diverging from the expectations we have on the liberalized use of internet based technologies here in the west. There are in short what seem to be growing restrictions on internet access and communications control in China to which even the We Chat app is not apparently exempt. For example, the menu of file transfer options on phones with Chinese sim cards allows for picture and data transfers between people/phones and an ability to save transferred graphics and information on the phone. This was not and is not an option within We Chat on my phone. All I could/can do is save it to a cloud site in China. It may be that my capabilities are limited because I have a Google phone as a number of people well versed in We Chat were not able to find a number options on my phone that were front and centre on theirs. However the fact remains that booth pictures could not be transferred to my phone for inclusion into this report using WeChat, they could be transferred via email.

Reports from exporters indicate that the China is one of the most important venues for the development of their business. That judgement is not necessarily reflected in the numbers we collect on all the shows we attend, but we cannot claim to have full knowledge of all their business relationship development meetings or goals. Based on the metrics that we do gather, as per the following table which includes all shows we have attended since 2014, the most productive for us thus far is the Seafood Expo Asia, held in Hong Kong each September. We have been focussing on Asian markets to some degree since we first started out on our marketing program but have also checked out the Seafood Expo Global (SEG) and more recently the Seafood Expo North America (SENA). Diversification is an advantage when it comes to specialty high end seafoods but we continue to believe our greatest opportunities lies in Asia though they are obviously not the only game in town. We feel we continue to benefit from these shows, in part because we are getting more direct information on what they like and want and also by developing awareness and appreciation of our products, industry and people in them- it is in short - a two way street.

		Visitor Totals and Averages				
		2014	2015	2016	2017	2018
SEA	Number	126	93	105	84	83
	Score	5.5	5.38	5.52	5.09	5.35
CFSE	Number	71	102	74	92	62
	Score	4.84	5.2	4.49	4.6	4.53
SENA	Number			53	45	65
	Score			5.89	5.00	4.58
SEG	Number				55	38
	Score				4.68	4.47