



Pacific Urchin Harvesters Association

**Trip Report for the
Delegation Attending the
13th Annual China Fisheries
and Seafood Expo**

Qingdao, China

November 4 - 6, 2008

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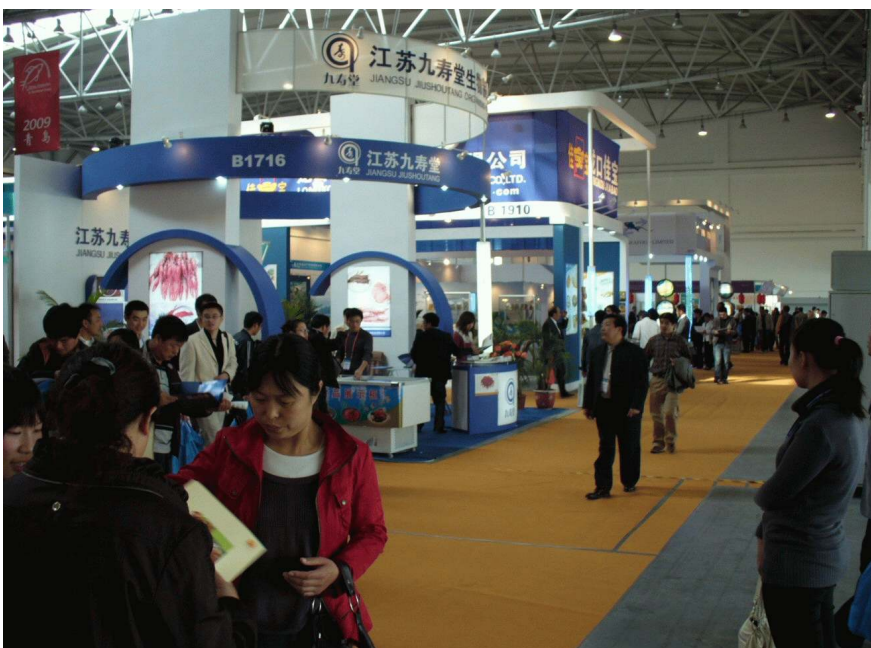
Mike Featherstone, Ken Ridgway, Francis Cheung and Geoff Krause departed Vancouver on Cathay Pacific Air at 0300 on Sunday November 2, 2008 for Hong Kong and Qingdao to attend the 2008 China Fisheries and Seafood Expo. Agriculture and Agri-Food Canada (AAFC) coordinated attendance at the show by a number of fishing associations, companies and provincial agencies including the Marine Fisheries Branch of the BC Ministry of Environment (BCMFB). PUHA submitted 2008 CAFI proposal in May which included sending a delegation to the show and committed to the trip with BCFish in September prior to being informed in early October that the funding had not been approved. Once the actual results of the application were known, Mike, Ken and Grand Hale decided to follow through on their commitment to attend and Geoff agreed to waive his per diem for the trip when PUHA offered to cover his travel expenses.





Background: Observations on China

The China seafood market is thought to present a substantial medium- to long-term opportunity for BC sea urchins which merits further examination, especially given the disappointing results of the past few years in Japan. As a measure of the potential, China's seafood trade volume and value increased by 3% to 6.58 Million Metric Tonnes (MMT) and by 5.8% to US\$ 14.46 Billion respectively with imports alone accounting for over US\$ 5 B, double the amount of just 4 years ago. The 2008 show featured exhibits in an area of about 30,000 m². from about 700 companies representing more than 30 countries. Approximately 15,000 trade professionals from 70



countries around the world were expected to attend. From the perspective of PUHA, this is still a very early stage in the process and the objective(s) of the mission remained focussed on collecting preliminary market intelligence to get a better understanding of the market potential(s) and trade options for BC sea urchin products in China and to meet and establish relations with new potential buyers.

China is kind of a funny place these days, a communist state filled with distinctly capitalist people who are hungry for business. The margins they work with have to be pretty small compared with those we deal here in North America but it doesn't seem to dampen their enthusiasm. For example, gas prices are about 2/3 those in Canada but a half-hour ride in a taxi only costs about \$5 - 6. This is to say nothing of the way they drive there which can leave you in paroxysms of hysteria- the traffic patterns remind me of what it's like to manoeuvre a shopping cart around Costco on a really busy day. Essentially playing (driving) with a good offence seems to be key to an effective defence.



The same sort of thing goes for shopping. Bartering in markets is expected (to say the least) and until you're aware of that, you can expect to regularly get fleeced. Once you get it though, shopping is more like fun. I'm sure it's the same when you're selling there as well and that is why I expect we keep hearing about how you have to be so very careful doing business in China. They have probably a 5,000 year history of picking out the lambs from the rams and the government, despite its authoritarian cover, is only partly successful at reigning in their passions for finding business advantage.

This passion does not necessarily mean the most successful know or adhere to the basics of modern business practice. Everywhere you look, there are buildings, and I mean big expensive buildings, going up but it sounds like a lot of them are just for show. Often they result from redirected government money going to well connected patrons who make their money building office towers, hotels, condos and factories which then stand empty afterwards. It seems the point of the whole exercise is solely to build, even when demand for the space is non-existent. Even when a structure is used, maintenance and/or cleaning are often afterthoughts that are, often as not, simply ignored. As a result, many structures are left to deteriorate until they are so far gone they are simply torn down and a new one built in its place.





This suggests that they still have not quite integrated the whole concept of market economics where the dynamic balance between supply and demand is the basic driver of self-sustaining growth. The particular structure of capitalism as it is seen in China is regulated almost solely by government oversight, as opposed to the natural self-regulating feedbacks seen in the ideal market that Western nations are perhaps closer to realizing. Problems arise because their system is bureaucratic, meaning discretionary powers at many different levels come into play. The rewards and payoffs involved with this way of business are substantial and often lead to the sorts of cascading abuses which are generally characterized as corruption. Building inspections and construction quality control are too often overlooked and result in tragedies like the schools which collapsed in a minor earthquake and killed quite a few school kids earlier this year.

It can also be seen in the environmental consequences of development. Environmental regulations in China are reportedly quite strict but enforcement is spotty and the air and water quality around the country are notoriously “toxic”. The longer term health, social and environmental implications of this are alarming but are still trivialized by authorities who remain focussed on economic development. These are internal issues and not factors that will directly affect business decisions by Canadian seafood firms dealing with China but the point remains that even when the more tragic consequences are ignored, it is hard to overlook the fact that they end up with a whole bunch of overbuilt stuff they have no immediate use for. There are costs involved with this, not the least of which inefficient capital allocation and politically-driven decision making where personal agendas squeeze out more rational economics-based planning.



The government is trying to address the various problem(s) but, because power in China is often derived directly through government affiliation, the likely truth is that despite the presence of many honourable and honest people in government, they will be having a bit of a time of it for a while yet. The government is considering whether to enshrine more freedoms for the press so they can report on the abuses they find without fear of retribution, but this too is likely still some ways off. (As a bit of a side note, a successful increase in press freedoms is probably their best hope for getting corruption under control. It was after all the most, and perhaps the only, effective measure that worked in formative years of western capitalism at the end of the 19th Century. You can even take that argument back further to the birth of the Age of Enlightenment in the 17th C , but that's getting a bit outside the scope of this report.) I have read a couple of articles lately which conclude that the economic and financial tsunami reverberating around the globe right now is going to be pretty tough on China because they are so dependent on exports. However, the country has about \$US 2 T in foreign reserves to use as a cushion, a goodly portion of which they are going to spend on infrastructure which should spread the economic activity around a bit more and permit continuing, if not accelerated, development. Their reactions to date on the global financial crisis have demonstrated that they recognize the interdependence of various regional economies and a consequent demand for a coordinated international response.

There is also that authoritarian need for control that pops up all over the place. China has seen a lot of tragedy over the past couple of hundred years, much of it within our lifetimes, and they

have 1.33 Billion people which brings up governance issues which are really hard, if not impossible, for Westerners, and perhaps Canadians especially, to appreciate. History does not provide a lot of reassurance to the Chinese government that our intentions can be anything but self-serving but even with that as an operating assumption, their continuing pursuit of total control of everything going on within their borders seems to us a bit over the top. I expect that they will continue to realize a growing sense of trust and faith in each other as conditions improve and hopefully this will allow a continuation of the more liberal restructuring of authority to evolve a system which recognizes the benefits of and explicitly encourages and rewards independent enterprise and entrepreneurial creativity within a truly sustainable market.

As mentioned, this ideal still seems to be some ways off, an especially poignant observation these days in light of the rampaging financial crisis now enveloping world finance when questions are being raised everywhere about whether anyone has actually figured out what a truly sustainable framework looks like. Notwithstanding past declarations on the matter by free marketers in the West etc, recent events do not inspire a lot of confidence. The implosion of markets and the explosion of subsequent favours being doled out around the world, including the collapse of US financial and automotive markets and subsequent rationales of increasingly desperate pleas for bailouts, are direct and inescapable parallels. It is sad to say but it appears we all still have work to do on even conceiving a truly sustainable and stable economic framework.

Despite whatever criticism(s) may be implied above, what they are doing seems to be working for them, at least so far. Schooling recently became mandatory and free for 9 years, even though families often have to buy their own books. It is greatly appreciated by all levels of society even though the quality of the teaching and the facilities still often remains questionable and access to



the broader world of knowledge through the internet restricted. Still, talented kids are often streamed so they can best realize their potential and the post-secondary education system is likewise seeing great strides in many fields. Economic development and growth in the country has been nothing short of spectacular over the past few decades and the people in the cities, and reportedly in more rural locales, are simply doing what they can to get on with making their lives better. Public and private art is on display everywhere, their architecture is as diverse as it is stunning and superb craftsmanship is seen in many trades: granite floors, counters and fixtures, fine woodwork, even the ubiquitous and almost always grand flower settings. Things in many areas may not be great from our perspective, but life through-out China is quickly getting better, or at least it has been until this latest global finance crisis.



It also does not seem as though a lot of people there are really intimidated by much: people you see walking on the street, and even a lot of the admittedly numerous security personnel, generally meet your gaze eye to eye, offer a ready smile and share a laugh with the smallest of excuses. This not to say that many of the older folks have not been traumatized and/or witness to what we could only consider horrific events, but they are responding favourably to improving living conditions, as would be expected of any human being in a more or less naturally structured society. Perhaps most tellingly, their kids are happy, curious and are treated really well and this, as much as anything else I have seen there, makes me really optimistic about their, and by extension our, future.

Report on the Show

PUHA attended the show and shared part of the cost of the BC Booth. The BC booth was part of the Canada Pavilion, participation in which was facilitated by Agriculture and Agri-Food Canada. Newfoundland and Labrador, Nova Scotia and New Brunswick also had provincial



booths and representatives from industry, including the Coldwater Shrimp Association, Clearwater Seafoods and Ocean Choice International Ltd, all sharing space in the pavilion. Many had cold-case displays of their goods with apparently free samples on offer and generally appeared to have good to very good attendance.





The Underwater Harvesters Association and the BC Sablefish Association had adjoining booths to the BC booth within which they displayed product. Port Fish also had representatives on hand who used the booth as a meeting point for business contacts. The Province was represented by the Director and the Seafood Development Manager of the Marine Fisheries and Oceans Branch, Jamie Alley and Lorraine Saunders respectively; Agriculture and Agri-Food Canada by Jo Anne Roy-Foster and Stephanie Parisien; the UHA by Jamie Austin and Michelle James; the BC Sablefish Ass'n by Ron McDonald and Mark Biaggi; and Port Fish by Erling Olson, Jock Bray, Don Murray and Mike Bustin. The New Brunswick delegation included their Minister of Fisheries, Mr. Rick



Doucet, while the delegation from Newfoundland and Labrador included their Assistant Deputy Minister of Fisheries, Mr. Brian Meaney.

The geoduck and sablefish groups each had a chef from Vancouver with them at the show who cooked up a storm of samples for all and sundry to taste. This was immensely popular and there was often a line-up of people standing by and waiting to get a taste. A couple of interpreters were also engaged for the show and shared amongst the BC delegates.

The first day was the busiest and traffic by the booth did not slow down all day, although comments from those manning the displays seemed to suggest that the visitors were mostly “tire kickers” as opposed to serious business prospects. Mike had packed along 200 PUHA brochures which had been translated into Chinese and put about half of them out on the first day. We also all set out business cards and the upshot was that they were all gone by about noon. Using our



keen powers of observation, we determined that there were a number of people who simply slowed down as they went past the booth and scooped up whatever materials were handy, including copies of every business card on display. With this in mind, it would seem that a reasonable number of cards one might take along would lie somewhere in the neighbourhood of 100 per day while the number of brochures kept at hand should be about 150 per day. Few of the cards and/or brochures so sacrificed are likely to attract any serious business opportunities but keeping track of the number given out and/or picked up might offer a handy metric for tracking interest from the public at the booth. Keeping a closer eye on what is happening with the website traffic might also provide a handy metric on the interest we generated at the show, even though we had not come prepared to promote our sea urchin products. We were, as mentioned, more simply interested in getting some preliminary understanding of the country and the market potential for sea urchin products.

Grand Hale was the only company associated with BC sea urchins displaying products, although these did not include any sea urchin. The main attractions they had on show were a couple of wild salmon and some sea cucumbers. We had some crossed wires prior to leaving Vancouver which prevented the collection of any product for display at the show but we did have the plastic models from Japan of opened Red Sea Urchin and some uni on trays which we put out. Francis was, I would have to say, apparently in his element throughout the whole time. His enthusiasm was obvious, even infectious, and he appeared to be enjoying himself immensely as he provided a constant show to all who stopped by the booth to ask questions or make enquires. His stated opinion on the show was that it was very successful, at least with respect to the sea cucumber and salmon he was displaying, although he also said he got quite a few enquiries about BC sea urchin, its availability, its characteristics and, I suppose, its price. The same observations applied to both the geoduck and sablefish booths: the good-natured showmanship, enthusiasm and generous smiles attracted a steady stream of enquiries from many who passed by.



The Canadian pavilion had an excellent location set right next to the entrance to the international section of the show. Canada and Canadians are well liked in China and we did manage to attract a fair bit of media attention during the show. In one case a local television station dropped by to interview some of the folks from BC and Jamie Alley in particular answered questions and generally got word out about our take on the show, and on BC and Canadian hopes and desires to foster closer trade and personal relations with China.



On the final day of the show a number of journalists from various trade publications in a number of major cities in China, including Beijing and Shanghai, made the rounds and stopped by the BC booth for a bit a scrum with BC representatives. They attended at the invitation of the Canadian Government through Agriculture and Agri-Food Canada and their program was coordinated by the Canadian Embassy Communications Officer from Beijing. There were of course some questions on the upcoming Olympics in Vancouver but there was also quite a bit of interest in BC seafood. Our environmental and product quality standards have a favourable and robust reputation and they were interested in a number of different BC fisheries, including sea urchins.



Overall, I felt the folks from AAFC and the BCMFB did a tremendous job in presenting the face of Canada and BC at the show. If, however, I had to be critical about something, I would say that there was not a lot that could be called really special about the BC booth, other than the people who were attending to questions and enquiries from the passers by. It comprised simply a couple of counters along the aisle on which we set out display materials and business cards etc. as well as some very nice calenders and baggage markers supplied courtesy of the Province as well as some posters along the back wall. The UHA had an aquarium with about a half dozen live geoduck and a 36" CRT playing a video of some divers at work while the sablefish portion had a 42" LCD TV displaying a typical day's fishing operations on the Ocean Pearl.

Notwithstanding the importance of lots of smiles and a good attitude for drawing people in, I had hoped there would be some sort of audio visual display in that part of the BC booth we were sharing so we could play some slide shows and videos outlining aspects of fishing sea urchins and other species on the BC coast. That, unfortunately, did not come together. We had a couple of laptops that could have been used but the screens for these are pretty small and no one felt comfortable with leaving them out in the open without some kind of security strap and/or lock. I talked to Ron about the LCD TV they rented and the cost was, at \$US 300 per day, higher than one might expect. More cost effective options might include buying or bringing a projector or a larger sized computer monitor. New 22" wide-screen LCD monitors can be found in Canada for about \$200-300 so one would expect to be able to find the same at even lower cost in China.



There were quite a variety of booth designs at the show, including a number of open concepts featuring comfortable chairs, tables, rugs, and even coolers with beverages etc that appeared intent on inviting people in to take advantage of some available comfort. These would of course be most suitable for companies lining up concrete business contacts and sales contracts but I thought that we, as in Canada, could have done a little better along these lines than what turned out.

My experience with Canadians from virtually all walks of life are that we are an open and friendly bunch but in this instance there was not a lot of mixing with the other folks in the Canada Pavilion. Having representation from different parts of the country strikes me as a great opportunity to build more regional ties and bonds in support of (Gawd I hate to say it but someone's got to) National Unity. I would suggest having a bit of a mixer the night before the show actually starts so everyone can start getting to know one another. I daresay that justification might also be found for even a federally subsidized "common area" with comfortable chairs, tables and maybe even some (regionally subsidized?) bebies in the cooler so people might feel more like partaking in some comfortable and friendly Canadian hospitality. These sorts of events showcase nations and companies and their people and it seems to me that this would be a cheap way to demonstrate our warmth and generosity, even if it is mainly to each other.

The 2009 China Seafood Show is again going to be held in Qingdao at the same venue it was held this year. It was held last year in Dalian, a couple hundred kilometres to the east across the top end of the Yellow Sea, but the venue there is not big enough to contain the growth of the show. Attention flowing to BC next year because of the 2010 Olympics can be expected to draw

additional attention to the booth next year and a return visit by a BC delegation is recommended. There was some agreement that sending along a joint team comprising sea cucumber and sea urchin representatives would be advantageous. This will, of course, be contingent on being able to participate in the BC Booth as the costs otherwise are likely to be simply beyond the capacity of either PUHA or the BC Sea Cucumber Association. If it was not for the efforts of the AAFC and the Province in getting the Canadian Pavilion and the BC Booth together, PUHA would not have been able to attend this year. The market potential for many BC products, including seafood, agricultural, forestry and manufactured products, in China remains largely undefined but it is one of the most alluring prospects available, particularly for sea urchin. Continuing support from both governments remains a critical contribution for small and medium sized enterprises seeking international opportunities.

Given worries about funding and other probable limitations likely coming our way, it may sound odd arguing in favour of planning for next year's attendance, but it may also be an opportunity that should not be wasted. This is no time to forget that old truism: no pain, no glory. Many other players will no doubt be retrenching next year, as many are already this year, but the reduced competition also implies those following through will get a bigger bang for their same buck. I believe if it can be done, it should be, especially given the one-time prospect of the additional leverage that will naturally accrue from the Olympics.

