

A bronze statue of a diver is positioned on a stone pedestal in a museum. The background features a wall with a grid of square niches. In the foreground, a curved, highly reflective surface, possibly a table or a display case, shows a clear reflection of the statue and the wall behind it.

**Pacific Urchin Harvesters Association
Pacific Sea Cucumber Harvesters Association
West Coast Green Urchin Association**

**Trip Report for the
November 2014
Marketing Mission to China
(Qingdao, Shenzhen and Macau)**



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November 2014
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October 31 to November 10, 2014

**Supported by
Agriculture and AgriFood Canada
through the
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**Report by:
Geoff Krause
Explorations Unlimited Inc.
Brentwood Bay, BC**

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Executive Summary

The Pacific Urchin Harvesters Association (PUHA) and the Pacific Sea Cucumber Harvesters Association jointed exhibited at a booth at the 2014 China Fisheries and Seafood Exposition as a key part of their respective international programs. The show took place in Qingdao China November 5, 6 and 7, 2014 and was attended by a delegation comprising sea urchin and sea cucumber executives, fishermen, processors and exporters, a videographer and the project consultant.

This was our 6th year exhibiting at the CFSE and the 7th year we have attended. Visitor numbers to our booth were down from last year but overall things seemed to come off fairly well. We collected and catalogued business contact information for 71 visitors, down from 98 in 2013 but still respectable. We had good representation from processors, so much so that association representatives did not get many opportunities to actually meet with or join conversations with visitors- those were all taken care of by the processor reps.

| | Daily Totals | | | | | 2014 CFSE | | |
|------------------|--------------|------|------|------|------|-----------|--------|------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | both | Urchin | Cuke |
| Day 1 | 25 | 34 | 27 | 34 | 43 | 11 | 14 | 18 |
| Day 2 | 20 | 21 | 32 | 48 | 22 | 2 | 8 | 12 |
| Day 3 | 10 | 12 | 13 | 16 | 6 | 2 | 4 | 0 |
| Total | 55 | 67 | 72 | 98 | 71 | | | |
| Avg Score | 7.39 | 5.92 | 5.69 | 5.12 | 4.84 | | 5.44 | 4.57 |

There were some changes in the booth graphics display options that we were not able to take advantage of this year that we should look at more carefully for upcoming years. A couple of different designs are presented in the report to provide some points of discussion with members so we may plan and hopefully execute an appropriate design for next year. This is likely to take a while so please provide any pictures and/or feedback you feel might be useful ASAP.

Additional meetings arranged around the show were part of the program. There was one event arranged just prior to the show in Guangzhou that we were not able to attend for logistical reasons but we did meet and strengthen our relationship with a prominent buyer of sea cucumber in Shenzhen and do a quick reconnaissance tour of Macau following the show. We also attended a China market seminar presented by the Canadian Trade Commissioner Service the day prior to

the show as well as a couple of meetings with the BC Ministry of International Trade and Investment where both successes and constraints to improved performance and results were discussed.

This report is a summary of the events and findings developed over the course of this trip and of research undertaken in support of the marketing program over the year. Recent events and trends in China and including some views on cultural interactions in our globalizing world are discussed. The opinions and interpretations expressed within are those of the author, Geoff Krause.

Acknowledgements

This project was funded by the Agri-Marketing Program of Agriculture and Agri-Food Canada as part of the integrated International Marketing programs for the Pacific Urchin Harvesters Association, the Pacific Sea Cucumber Harvesters Ass'n and the West Coast Green Urchin Association. Mr. David Watters, Project Officer with the Trade Show Strategy and Delivery office of Agriculture and Agri-Food Canada and many staff, including Trade Commissioners from Canada and various trade missions in China and other parts of Asia, have in collaboration with Provincial representatives from British Columbia, Newfoundland and Labrador, New Brunswick and Nova Scotia put together a very impressive pavilion for Canada seafood producers at this important Asian showcase. The friendly, outgoing professional atmosphere around the Pavilion and the many high quality products on display and on sample from Canada put, we believe, our country in a very good light. We thank and congratulate all the participants.

The Province of British Columbia again deserves special mention for providing an outstanding booth, for coordinating much of the activity there and for providing assistance and services including sponsoring Mr. Nathan Fong, a very accomplished and creative chef well known to all of us, and providing the many other friendly, knowledgeable and helpful staff. This booth provides a central focus and meeting area for people, customers and clients interested in companies from BC.

We would also like to thank Francis Cheung and Grand Hale Marine Products Ltd for supplying the product we exhibited at the show. Other supplies were very limited because poor weather was seriously hampering fishing but they stepped up when nobody else could and came through big-time with some high quality frozen product they had on hand for unexpected contingencies.

The author also extends his thanks to the Agri- Marketing Program, the Associations and their respective association presidents, Mr. Mike Featherstone, Mr. Ken Ridgway and Mr. Michael Callow, their executive teams and members for their continuing support, advice and confidence.



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Trip Report for the November 2014 Marketing Mission to China

1.0 Introduction

The Pacific Urchin Harvesters Association (PUHA) and the Pacific Sea Cucumber Harvesters Association (PSCHA) jointly exhibited at a booth at the 19th Annual China Fisheries and Seafood Exposition as a key part of their respective international programs. The show took place in Qingdao, China on November 5, 6 and 7, 2014. The delegation representing the two Associations comprised Mike Featherstone, President of the PUHA, Ken Ridgway, President of the PSCHA, Pasquale Fantillo and Jinfa (Jacob) Hou from RBS Seafood Harvesters Ltd., Tina Wong from Premium International Seafood Sales Ltd., Ron Ross from Response Productions Ltd. and the Project Consultant, Geoff Krause. A couple of China-based representatives from Wen Lian Aquaculture of Vancouver, Dapeng Guo and Xin Sun, attended. Goono Sung and Franco Chen from Sung Fish, also of Vancouver, also put in a quick appearance were unable to extend their visit because of prior commitments.

To characterize the show, it is the second largest such show in the world. The show is much larger than the Seafood Expo Asia (SEA), which we attended in September in Hong Kong but they are different enough that there are advantages and disadvantages to each of them. In terms of absolute size, more than 1,200 companies from 44 countries filled 25,600 square metres of exhibit space in all seven halls of the sold-out Shandong International Conference and Exhibition Centre at the CFSE which compares to just over 200 companies and 8,600 visiting seafood professionals at the 2014 SEA. This show has more than doubled in size since we first attended as visitors in Qingdao in 2008 and its annual growth figures fairly prominently in the marketing of the show.

However, it is also worth mentioning that in terms of exposure we stand out as more prominent exhibitors at the SEA whereas it is much easier to simply get lost in the sea of much larger companies from around the world at the CFSE. One reflection of this is that we generally collect about twice as many contacts from the SEA as we do from the CFSE, and, because more English is spoken in Hong Kong, we also have better and more direct dialogue with our visitors there.

However, the growth of the mainland market is very attractive and encouraging. According to the show organizer, Seafare Expositions of Seattle Washington, the 2014 CFSE results represented a 20 percent increase from last year while the increase to 27,000 visitors represented a 23 percent jump from the previous year in Dalian. Companies from more than 100 countries participated and the show featured 20 national pavilions, the largest of which was from Canada.

This was the 6th time we have exhibited at this show. The show has historically alternated between Qingdao and Dalian on the other side (eastern shore) of the Yellow Sea but it has been held in Dalian for the past two years. One perennial concern we have about the China show is an

underlying uncertainty on getting product through customs. Because of the short shelf life of the uni in particular, we cannot depend on the standard shipping options to get the product we are going to exhibit and sample to the show in good enough shape that it will put us in a good light. The only real way to ensure timely delivery with minimal time in an un-refrigerated environment is to hand carry the product with us on our flight and this, in turn, generally means that our first port of landing on the China mainland must be the city where the show is being held. To do otherwise raises the risk(s) that the product will be summarily seized by China customs officials.

Security is a high priority concern in China and this sort of thing has affected exhibitors at this show in previous years. Seafood expos generally run from Tuesday through Thursday with a setup day on the Monday but in this instance it ran from Wednesday to Friday. This change resulted from some difficulties experienced last year in clearing shipped product from overseas through various China customs because of a backlog that developed on the Sunday. The net effect of this was that quite a few exhibitors did not get their products to the show until the Wednesday. Given the substantial efforts many of these associations and companies are making to attend the show, and considering the attendant costs, the organizers decided to start the show a day later in the week to provide a larger window to ensure the product would be able to clear customs prior to the commencement of the show. We did not hear any complaints in this regard this year. However, a similar day-long delay with our product in a heated environment would likely render it unusable so we do our best to retain better control.

The hand-carry part is also usually important as well as checked baggage gets bumped around quite a bit as it moves between the terminal and the plane which, as per Murphy's Law, means it will inevitably end up either on its side or upside-down for the flight. This, of course, is disruptive to say the least for fresh uni packed in either 125 or 250 gram trays. It is a much lessor concern with frozen product which can be checked through.

I mention this because the weather was not allowing a lot of fishing just prior to our departure for the show and we ended up having no fresh product available from any of the processors when we needed it. However, Grand Hale came through in a big way for us with some frozen product that allowed us to carry on. One of the highlights of our booth is the uni appetizers we pass out periodically each day. It is always quite gratifying to see the feeding frenzy they start, particularly when we consider that this was not necessarily or always the case when we first started at the show in 2010. At that time quite a few people were more hesitant, but that is no longer the case.

Mike, Ken, Ron and Geoff arrived in Qingdao on November 2, a little early for the show perhaps but the availability direct flights to Qingdao from points outside the mainland was seriously constrained and we decided that flying out of Hong Kong a day early was the best option. It worked quite well though as it gave us a bit extra time to catch up on the time zone and a day to explore the area a bit before we had to get right down to business.



Our schedule after arriving included taking in a China Market seminar by Canadian Trade and Embassy folks from Beijing on Tuesday before we headed over to the venue to pick up our badges and do the preliminary check and setup etc. The other delegates met us at the show

2.0 Seafood Market Trends in China

According to Mr. Niu Dun, China's Vice Minister of Agriculture, China's international seafood trade maintained rapid and stable growth and reached USD 22.4B in the first three quarters of 2014. Imports are expected to grow about 20 percent and reach US\$10 billion . China remains the worlds top seafood exporter, and is making significant capital investments in processing equipment to ensure it retains that position.

China's seafood market is already the world's largest and it is projected to grow even faster as disposable income continues to rise and consumers there can spend more on what is claimed to be their favourite protein. Sales of processed seafood rose at a compound rate of 8.8% between 2006 - 2011 a rate that is projected to increase to 10.5 % from 2011 - 16, mainly because of the rapid urbanization occurring all through China. There are currently about 600 million living in Chinese cities and this is expected to rise by 50% , or 300 million people (almost equal to the entire US population) to 900 million by 2030.

Current statistics across 47 wholesale markets show sales of about 2.2 Million Metric Tonnes (MMT) with an aggregate worth of ~USD 7 B. It is a big market but there is no one-size-fits-all solution that will find general acceptance as the eating, culture and taste preferences vary dramatically throughout the country. Each region, and oftentimes every city, must be approached as a single unique market. Even with this there are three general strata of consumers: traditional who prefer and consider live as the most fresh option; middle income value conscious consumers who are looking for deals and like frozen fillets; and high income consumers who are looking for more variety but are much more focussed on food safety including traceability if not sustainability. Success comes from clearly identifying the target customers and offering an appropriate products with corresponding specifications, packaging and price profiles.

2.1 Pre-show Seminar on Trends in China Seafood

The Canadian Trade Commissioner Service presented a seminar on Trends in China markets on November 3, 2014, just prior to the start of the 2014 CFSE in Qingdao.



2.1.1 China Aquatic Products Processing and Marketing Association

The first presenter was from the China Aquatic Products Processing and Marketing Association and focussed on the output and trade of aquatic products by China. This was an interesting presentation however it is worth noting that Mr. Di Gang, the Secretary General of the CAPPMA, switched units a few times throughout which made it harder to follow what he was actually saying. This was most obvious when he switched from million tons, which I assume are actually Metric Tonnes (1,000 kg or 2,105 lbs as opposed to 2,000 lbs.), in his text portions to 10,000 tons in his tables. He made the same transition from billions of US dollars to 100 million of USD. He also appears to have changed the numbers on various slides so the, for example,

export total mentioned on slide # 8 of 3.96 MMT does not match the $2.6378 + 1.171 = 3.809$ MMT total on slide #16. These sorts of inconsistencies raise suspicions that the “facts” in the presentation are perhaps more fluid than is let on. This is not saying that he is necessarily trying to deceive listeners, there may be very valid cultural distinctions affecting different or changing contextual references, but it does suggest that some care is required on our side in deciphering what exactly is being communicated.

At any rate, according to Mr. Di, total production in China of marine and freshwater products in 2013, and including seaweeds and aquatic plants, totalled 61.7 Million Tons. (Note: I am assuming this is (million) metric tonnes so subsequent references will be abbreviated as, for example, 61.7 MMT). Farmed products comprising 17.4 MMT and 28 MMT from marine and freshwater operations respectively, made up 45.2 MMT while capture fisheries accounted for 16.3 MMT. The capture fisheries include distant water, nearshore and freshwater sectors with all but the first (distant waters) increasing.

One point I gathered from this presentation is that resource depletion of wild fishery stocks is approached as almost inevitable by Chinese. In this regard, and perhaps as a bit of an aside, with regard to the distant water operations, the South China Morning Post reported on December 2, 2014 that overfishing by big companies like the China Tuna Industry Group is decimating endangered species and hurting the livelihoods of fishing communities and islanders in a number of regions around the Pacific Ocean. There is generally very little interest in sustainability in China, which incidentally is where the majority of global demand growth for seafood is occurring, but as Chinese seafood businesses build their offshore trade they are becoming more interested in accreditation. This is undoubtedly a good thing even if it is more to satisfy the demands of offshore buyers as opposed to being an intrinsic development to satisfy growing interest in their domestic market(s). Within China, cost and food safety remain top of mind for consumers and boosting interest there in sustainability will require education so consumers can better recognize the consequences of poor practices and demand sustainable choices. Given current trends in technology and markets, the sustainability of world fisheries will depend on this happening probably sooner rather than later.

Getting back to the seminar, the top 3 producing provinces are Shandong (where Qingdao is located), Guangdong and Fujian. Farmed production represents about 3/4 of the total in each with better than half of that coming from mariculture in all but Guangdong which has extensive catfish, shrimp and carp farming operations lining the Pearl River which produce about 60% of the aquatic farm production. Even though the 6.58 MMT combined farmed and capture production out of Fujian Province is lower than the 8.63 MMT from Shandong, Fujian is the top exporter of these products to international markets.

China exported 3.96 MMT worth USD 20.3 Billion of aquatic products, representing about 6.5% of its total production, in 2013 while importing about 4.17 MMT worth about USD 8.64 B in 2013. They had a trade surplus of about USD 11.7 B in 2013 and the same trend, albeit about USD 0.5 B smaller, appears to be in the cards for 2014. It is interesting to note that the unit value of their exports works out to about USD 5.22 B/MMT while the exports are cheaper by more than half that at USD 2.015 B/MMT. Canada is the only one of China's major importers where the unit value even approaches the unit value of their exports. Using the numbers provided by Mr. Di in his presentation, and converting them to units directly comparable to the above, the

unit value of product from Canada worked out to about USD 5.012 B/MMT whereas those from Russia, the US and Peru, the three top importers to China by value, worked out to 1.486, 2.263 and 1.743 B USD/MMT respectively. This reflects the different mix of products coming from each. The same trend continued in early 2014 with the unit value from Canada increasing to 5.69 B USD/MMT while most of the others ranged from about 1.4 - 2.8 B USD/MMT.

About 26% of China's seafood exports are re-exports of imported products. In 2013, about 1.566 MMT valued at USD 3.12 B, or about 1/3 of the imports by volume were processed and re-exported. After processing, the volume declined to 1.171 MMT but the value increased to USD 5.36 B which works out to an estimated USD 2.24 B or 72% value increase. A conclusion presented on Slide # 16 claims that "Under the influence of continuous RMB appreciation, growing labour cost and global economy depression since 2008, China's years of rapid raw material import for processing and re-export ended with the ratio of gross aquatic product import/export value dropping continuously". The ratio used to illustrate this trend, if it is interpreted directly, implies increasing import value(s) and decreasing export values. This contrasts with the apparently still quite healthy margin accruing to the China operation which contributed considerable value to the final product.

It might also be worth noting that the Chinese government applies a 17% Value Added Tax to all imports as they enter the country but that this is rebated to the importer when the product is re-exported. The allocation of this cost on entry and refund on exit may also be affecting the competitive position of the Chinese re-processing sector. This VAT was not mentioned at all during the presentation.

Canada's seafood imports from China in 2013 comprised 57.7 Thousand Metric Tonnes (KMT) of mainly cephalopods, prawns, eels and scallops worth \$US 386.7 M, up by about 17% from 2012 and giving us a rank of #11 amongst China's major export destination markets. China's imports from Canada in 2013 comprised mainly lobster, frozen fish and crab and reached 81.5 KMT valued at USD 405.56 M and giving us a rank of 6 as a supplier. The unit values of these work out to 6.7 M USD/ KMT (equivalent to 6.7 B USD/MMT using unit cancellation arithmetic) 4.97 M USD/KMT respectively.

2.1.2 Beijing Hualin Group (BHG)

BHG is the #4 retailer in China. It has a total of 152 grocery retail stores in 47 cities throughout 21 provinces. These comprise 3 brands: BHG Market Place, BHG Lifestyle Market and BHG Food Express. Each format provides a unique customer experience but they share the same strategy based on freshness and self-owned Brand names Market Place is the premium brand and has the single top market share of luxury outlets in China. These are thoroughly modern stores and would not seem out of place in downtown Vancouver. It also has 21 department stores, 1 luxury department store (SKP Luxury) in Beijing and 47 BHG malls and 5 department stores in Singapore. The malls are characterized as either community based (50,000 - 80,000 m²) or neighbourhood-based (10,000 - 20,000 m²).

Pesticides, drug residues and polluted water are a main and growing concern for consumers in China. Demand for seafood is growing particularly strongly, especially in central and western

China and BHG saw seafood sales of RMB 310 M (\$C 57.3 M) in 2013. The company is moving more towards frozen as opposed to live because of quality concerns and 2013 sales of frozen seafood jumped in their stores by about 45% compared to 2012.

BHG is setting up a North American procurement enterprise by the name of Shinong International Trade Inc. which will be based out of Toronto. Ms. Joanna Feng is the General manager for the business and can be reached at fengbiyun@beijing-hualin.com.

2.1.3 China Cuisine Association: Opportunities for fish and seafood in the hotel and restaurant segment by Mr. Gao Bingyi

The China Cuisine Association was established in 1987 and represents the restaurant and hotel sector in China. There are some 5 million restaurants with about 40 million employees, including some 10 million chefs, in China. Sales in the sector were RMB 2.03 Trillion (\$C 375.2 B) in 2013 including approximately RMB 30 B (\$C 5.5 B) spent on aquatic products.

There are two main bottle necks now to further growth of seafood sales in China. The first revolves around the relatively high price which renders it suitable for higher end restaurants and food service establishments. This is a particular concern these days because of the on-going anti-corruption campaign. The industry would like to see the costs of product come down, however there was no mention that one substantial contribution China could make would be to reduce the import tariffs (4 - 10%) and import value added tax (17%) applied on entry. These generally amount to between about 20 - 27% and are often calculated based on an assumption that all the product is the highest possible grade and value.

The second main concern revolves around the texture of the product(s) which often limits their use in Chinese cooking. There are apparently about 100 different cooking methods used in Chinese cooking and only 10 or so are applicable to seafood. This suggests there may be some merit in further investigating these techniques so appropriate alternatives can be identified, tested and used to develop innovations in cooking or otherwise preparing or using seafood

2.1.4 Marine Stewardship Council presentation by Kelvin Ng

We apparently missed a sustainable seafood forum on the morning of the November 3 but the marketing of said forum was not sufficient to reveal the event even when some effort was expended by the Project Consultant looking for just something like that.

The MSC has been in China for 10 years and there are about 224 Chain of Custody certificate holders but no certified fisheries in the country. In general awareness of sustainability issues remains very low in the country however Mr. Ng suggested first movers may hold an advantage when, or perhaps more realistically if, consumers do adopt a sustainability mindset. As mentioned earlier, food safety and cost issues are the primary concerns for most consumers in China. With reference to the first of these, Canada has a very good and clean reputation in China. On the second point Mr. Ng claimed that China consumers are ready to accept and/or adopt sustainability “on their own terms” although what this means in fact remains somewhat nebulous.

A good part of his presentation actually focussed on Canada as a case study where sustainability is accepted as a serious consideration by government, consumers and industry in our modern marketplace.

Mr Ng also mentioned that the distant waters fleet is apparently pursuing MSC certification with government support and encouragement. As pointed out earlier, this is more in response to demands from offshore customers than it is to domestic pressure(s) so there is still a ways to go here.

2.1.5 China e-commerce perspective by Seabridge

E-commerce is projected to account for about a 20% market share of overall retail sales by 2020, up from the current (2014) value of about 10%. With respect to food, only about 3.3% of China food sales are currently through e-commerce but the adoption rates and evolution of the services being witnessed in the country suggest this has huge potential to grow even in the near future. Chinese consumers apparently have a preference for seafood, especially shellfish which bodes well for seafood demand in that country. The wild seafood catch is declining, in some areas precipitously, while aquaculture production has reached a ceiling.

The growth of e-commerce in China far exceeds that in the developed world and this, along with other inherent advantages in on-line models, support claims that it is a good to very good platform to launch products in new markets. Emerging e-commerce companies are more creative, efficient and result-driven than traditional retail businesses are willing to accept new products to sell on line. Penetration by new products into China's markets is potentially much quicker than traditional channels (in-store or food service) with the added bonus that once a promotion catches in one it can be quickly extended to many other markets through online services and outlets.

The web stats can be used to track interest in a product, whether it be cold water shrimp, lobster or whatever. Weibo (China's twitter), baidu (China's google), WeChat and probably other services that require a log in can profile users geographically, by gender, by age and possibly even by other socio-economic criteria. The main e-commerce markets are currently Beijing, Guangzhou and Hong Kong but, if successful, the sales reach could easily extend into Tier 3 and 4 cities. In these markets even Wal-Mart and Carrefour have little to no presence, and careful selection of partners to get the product the last mile to the buyer/consumer in good shape is critical. This however may be more of concern for the marketplace provider (eg. Tmall) as they apparently offer a full service package including distribution and delivery.

E-commerce is structured somewhat differently in China than in the developed world. With regard to the structure, more than 90% of sales by e-commerce in China are through large e-marketplaces like Alibaba (Tmall etc) while in North America most are conducted through independent merchant websites. In 2011 approximately 25% of web transactions in China were Business to Consumer (B2C) with the remainder comprising Consumer to Consumer (C2C) transactions but that has changed now so that B2C now stands at about 53% of the total. There was no information provided on B2B transactions.

One problem that might arise with e-commerce sales in China is the ability to adequately serve the market if things really catch on- the old “go big or go home” adage applied to serving Chinese markets. There are 618 million internet users in China, including 302 million online shoppers who spent more than US\$ 304 B online in 2013. Given this and considering that China’s US\$ 3.4 Trillion consumption is expected to almost double to more than US\$ 6 T by 2020, it is not hard to see how the limited amounts of sea cucumber and uni we can offer for sale would be nowhere sufficient should either see any kind of spike. We should be careful what we wish for, at least if we are to preserve our credibility especially as our primary goal will, by necessity, eventually shift to higher pricing once industry capacity is tested. Canada is seen as high end supplier of small quantities of specialized and high price seafood items such as lobster, shrimp, crab, geoduck, salmon, sablefish and sea urchin. Hopefully it will not take too much to move sea cucumber from BC onto that list as well. Canada’s most popular agri-products in China attracted many on-line eyes there in 2013. Coldwater shrimp, lobster and surf clam have been ranked in the top 10 best on-line selling imported seafood in China. There is no reason sea cucumber could not find success through that medium but successfully selling and delivering sea urchin uni to customers may be more of a challenge.

I did a little extra searching on this to verify some of the trends etc. There are, indeed, now some 640 million Chinese netizens, including 530 million mobile internet users. Alibaba, among many other companies in China, has harnessed this opportunity so that, for instance, sales on Singles Day (double 11 = Nov. 11 each year) amounted to about USD 10 B, up 58% over 2013 and about 3 times as high as US online sales over the thanksgiving weekend. Some 43% of singles day sales used mobile devices which also more generally accounted for about USD 40 B or 33% of the total online sales in China for the third quarter. An important enabler of this are mobile payment solutions such as Alipay (owned by Alibaba) and Tenpay (owned by Tencent) which include such services as mobile and online payments, money transfers, levy-free bill payments and transport ticket purchases in lieu of credit cards, which are not particularly popular in China.

As a result of these changes, purchasing behaviours and demand patterns are changing as online sales are growing much faster than those through traditional stores. As established retailers are more effectively challenged by startups and internet companies, they can no longer shield access to consumers and must find new ways to both compete and collaborate. This in turn is leading to a fundamental rethink of boundaries, value chains and strategies and the creation of new supply and retail ecosystems as even rural buyers become sellers. These innovations are happening all over China, challenging government regulations and policy and increasingly propelling the country into uncharted territory.

There is still, however, the last mile problem which says it is often easier to get a product half way around the world dependably and in good shape than it is to get it through the last stretch to the door of the consumer who bought it. The logistical difficulties in these last fine details make it an order of magnitude harder and while it may be relatively easy to accommodate sea cucumber it is an issue of exceptional concern when one is dealing with fresh seafood as sensitive to temperature and mechanical abuse as fresh uni.

2.1.6 Brand Canada Presentation

The Brand Canada initiative seeks to extend positive perceptions of Canada and Canadians held by people around the world to cover food and agricultural production from Canada so that can be used to differentiate our products from other suppliers. Brands are basically a shorthand method to associate defined characteristics to goods and services to be purchased so potential buyers and consumers of them intuitively understand the advantages and benefits associated with said branded products. In the case of the Canada Brand the attributes include excellence, trustworthiness, customer focus, nature at its pristine best, technologically and economically advanced production informed by science working together to provide superior quality and sustainable foods.

A logo built around the maple leaf as one of our most recognizable symbols, a photo portfolio focus and a tagline all serve to evoke these key attributes. These are used in a variety of situations, including as a general identifier of Canadian Pavilions at various trade shows, on marketing and advertising copy and on product packaging to link Canadian agri-food products to the attributes on sight. There are guidelines and requirements for their use in place to protect the integrity of the program and the more these 'tools' are used, the more familiar and effective they will become with buyers and consumers.

3.0 Trip Details

3.1 Show Report

The show opened early for exhibitors to complete their final setup at 0830 Wednesday and we were there shortly afterwards as we did have some things to complete. We had been in the day previously to collect the badges, bring in the booth materials and set up the equipment so things would be ready to go in short on opening day. We were kept busy on this right up to the 10:00 AM official opening and did not witness the ceremony held in the main lobby but do not expect much was really missed by us. Such ceremonies in previous years are, as might be expected, conducted entirely in Chinese so there is not really a lot that we catch anyways.

The show used all 7 halls in the Shandong Convention and Exhibition Hall and overseas exhibitors were all placed in a single hall, Hall 5, on the lower floor of the most westerly building. This is standard practice at this show at least but this year it seemed we were maybe a bit more isolated as this hall was a bit more out of the way and shifted away from the main halls where the main action was focussed. That is just a feeling though without a whole lot more to substantiate it. A quick scan of the overseas hall though again suggested that about 20 - 25% of the exhibitors in the overseas hall were actually domestic companies.

Traffic on the first day picked up early and continued throughout the day. We had an interpreter to help us with conversations but, because we also had four company representatives who are totally fluent in Putonghua, aka Mandarin Chinese, the official language of the Peoples Republic, there was not a lot she could do for us as the company representatives intercepted and fully



engaged virtually all of our visitors. This was good and bad- good because these are the people most able to talk business, arrange trade, sampling and trial orders etc. with visitors but bad because we had very little input into these conversations and little knowledge of what was actually being discussed. Traffic on Day 1 proved to be the busiest of the show, unlike our experience over the past few years which saw higher numbers on Day 2 followed by a fall to about a third to a half of the second day's level on the third day. This year the traffic on the second day never did build and barely achieved half the level of the first day and the third was less than 1/3 of the second day's result.



This may have been related to tighter security at the hall on the second day of the show. We arrived about 15 minutes prior to the opening of the show and there was a very large crowd milling about outside of the venue apparently waiting for the doors to open. Once the gates were opened, only groups of about 50 were let in at a time as everyone was forced to go through magnetic scanners and even get their bags X-rayed. This most likely is a response to problems China has experienced with restive populations in the NW of the country. This did however really slow the entry process and it is quite possible that people just took a hint and gave the show a pass.



An important part of what we do to document our success at these shows is catalogue business contact and visitor qualification

information received over the course of the show. The tables with this information are presented on the following pages. A weakness of this model came out this year reflecting that while we did get contact information in the way of business cards we got very little qualifying information on what those visitors actually do. As the data was being catalogued as much of the information was validated using 'www' sources as much as possible but there were a number of contacts for whom this was just not possible.

We also track the number of brochures and other hand-outs collected by visitors to provide another independent data set on the traffic around the booth each day. This is something we have been doing for the past few years and all of our indices in declined from last year. Take-up of brochures was down, as might be expected given the decline in the number of visitors, although the decline in the English versions was somewhat greater than the Simplified Mandarin versions. We no longer carry giveaway copies of the DVD's into China as copies of these must be provided some three months in advance to censors for approval. In these it is just easier to not carry them in, especially as they are all available for viewing on the association websites.

There were a few problems that showed up in the booth this year. Probably first off, the booth felt kind of cluttered and less organized than in previous shows. In part this was because our delegation was larger than normal and this meant there was more gear stored along the back and in the corners. At one point, we had 12 people, including our translator, and their belongings in the booth. We had pretty much our standard complement of booth accoutrements, our roll-ups (3), a couple of extra seats, a TV on a stand (we had asked that it be mounted on the wall as it had last year but this did not happen), a coffee table, a display freezer as well as a round table which was thrown in as part of our package this year. It was not a disaster but it is something to keep in mind as we plan for future exhibitions.

We were a bit rushed this year in our final preparations for the show because we also attended the Seafood Expo Asia show in Hong in September. There were some changes in the booth graphics display options that we were not able to take advantage of this year that we should look at more carefully for upcoming years. In short this new option involved having pictures of our choice printed and mounted on the walls of the booth and/or on the fascia above the booth. The problem with this revolved around the limited number of appropriate pictures and a distinct lack of time for design consultation. Rushing in with the wrong pictures or the wrong design would likely prove a waste.

A couple of different designs are presented below to provide some points of discussion with members so we may plan and hopefully execute an appropriate design for next year. This is likely to take a while so please provide any pictures and/or feedback you feel might be useful as soon as possible.

We were also offered the option of printing our association logos on the information counter fronts. This seemed like a good idea at first but logos are meant to act as shortcuts to help consumers identify product they want to buy and neither the PUHA or PSCHA logos are, perhaps unfortunately, ever likely to appear in any retail setting. In this case it would be better to have a collection of company logos that are more likely to appear in a retail setting.

Contacts from Day 1 of the 2014 China Fisheries and Seafood Expo

| Product | Country | City | Business | First Name | Last Name | Company | Score | Comment(s) |
|-----------|---------|-----------------|-----------------|------------|-----------|------------------------------------------------------|-------|----------------------------------------------------------------------------------------|
| SU & SC | Canada | Victoria | government | Teresa | Wat | Gov't of BC, Cabinet Minister | 8 | Minister of Int'l Trade |
| SU & SC | China | Beijing | government | Keven | Tsui | Gov't of BC, Int'l Trade, Beijing & Shanghai offices | 7 | Managing Dir of North and East China offices in Beijing and Shanghai |
| SU & SC | Canada | Vancouver | government | Paul | Inwin | Gov't of BC, Int'l Trade, Int'l Business dev't | 7 | Exec. Dir. of China office in Vancouver |
| SU & etc | China | Guangzhou | trader, distrib | Michael | Yang | Bright Hope Trading Co. Ltd. | 6 | distributing GHMP products in China |
| SC | China | Dalian | producer- seav | Yi Ni | Liu | Dalian Seaweed Industry Ass'n | 4 | looking for cuke info |
| SC | China | Dalian | trader | Shao Bo | Xu | Dalian Haoaiq Trading | 3 | |
| SC | China | Hong Kong | Import/Distrib | Michael | Leung | Wang Yip Marine Products Ltd. | 4 | company may be dissolved |
| SC | China | Hong Kong | Import/Distrib | Jan | Zhang | Wang Yip Marine Products Ltd. | 4 | company may be dissolved |
| SC | China | | | | | | 3 | card is pretty much all Chinese |
| SU | China | Beijing | distrib | | | | 5 | card is pretty much all Chinese but has picture of uni |
| SC | China | Dalian | exporter(?) | Erica | Liu | A&H Seafoods (USA) Inc. | 5 | |
| SU | China | Beijing | Import/Distrib | Tian Cheng | Yu | Beijing Haiyingge Food Co. Ltd. | 6 | SU import to Beijing; 45 high-end supermarkets, also int. in other products |
| SU | China | Shanghai | Import/Distrib | Michael | Gu | River Cottage Shanghai | 7 | wants RSU uni for hotel(s) in Shanghai |
| SU (GSU) | China | Dalian | Import/Distrib | Yun Kui | Mu | Dalian Oceanic Island Aquatic Products Co. Ltd. | 6 | wants live GSU to Dalian. Coming to Vanc. in Nov. |
| SU & SC | China | Fuzhou | Show organize | | | China (Fuzhou) Int'l Fisheries Expo. | 4 | seafood expo after Hong Kong. |
| ? | China | ? | ? | ? | ? | ? | 3 | card = all chinese and no notes |
| SC | China | Yantai | Distrib | Minghui | Yan | Yantai Guanhai Seafood Co. | 5 | |
| SC | China | Qingdao | producer | | | Qingdao Saintland Sea Cucumber Co. Ltd | 3 | no details provided on qualification, website not operative |
| SU & SC | China | Shanghai | hotelier | Tom | Xiong | Yangtze Hotel | 7 | exec. chef for the Yangtze Hotel, the World Luxury Hotel Award winner for 2014 |
| SU & SC | China | Beijing | government | Theodore | Cheng | Gov't of BC, Int'l Trade, Int'l Business dev't | 6 | business dev't manager in Beijing |
| SC | China | Hunchun | Importer | Yuanjin | Ding | Hunchun Yuanyang Industry and Trade Co. Ltd. | 5 | |
| SU & SC | Canada | W. Vancouver | ? | Jack | Wang | Sea Star Seafood Inc. | 3 | search of Sea Star Seafood leads one to a company in Nova Scotia, nothing in B |
| SU & SC | Canada | W. Vancouver | ? | Justin | Wang | Sea Star Seafood Inc. | 3 | search of Sea Star Seafood leads one to a company in Nova Scotia, nothing in B |
| SU | China | Beijing | Distributor | Chao Yu | Wang | Beijing Haotian Expo International Trading Co. Ltd. | 8 | looking for ~ 10 cases/week of fresh or froz uni, consistent good quality for sushi ba |
| SU | Taiwan | Taipei | restauranteur | Albert | Laville | Mitsui Taipei | 7 | supplies ~ 15 sushi restaurants in Taipei |
| SC | China | Dalian | logistics | Jane | Qu | Beidahuang Group- Hongpu | 5 | int'l logistics services |
| SU | Taiwan | Kaohsiung | distrib | Dolly | Chou | Glory Time International Co. Ltd. | 7 | trading company selling through alibaba, no website |
| SC | China | Shenzhen | distrib | Xing | Wentao | Take | 4 | |
| SU & SC | China | Shanghai | government | Wendy | Hu | Gov't of BC; Int'l Trade | 6 | Program Mngr in Shanghai office |
| SU & SC | China | Shanghai | government | Ellen | Xin | Gov't of BC; Int'l Trade | 6 | Director, East China, in Shanghai office |
| SC | China | Qingdao | producer | | | Qingdao Saintland Sea Cucumber Co. Ltd | 2 | repeat visit, no details provided on qualification, website not operative |
| SU + prav | China | Qingdao | processor | Chongwei | Bi | Qingdao Sohshoku Co. Ltd | 4 | large cold storage and processing facility; second website www.sohshoku.com |
| SU + prav | China | ? | ? | ? | ? | ? | 2 | |
| SU | China | Jinan | hotelier | Zhenxin | Du | Shunhe Hotel Group | 6 | looking for whole round sea urchin- GSU probably |
| SC | China | Guangzhou | trader | Wilson | Zhang | Guangzhou Ojoy Trading Co. Ltd. | 4 | |
| SC | USA | Kirkland | trader/broker | Xiaohui | Luo | Chang International (USA) Inc. | 3 | very basic web presence |
| SC | China | Guangzhou | | Fan Jun | Meng | Guangzhou Shun Li Aquatic Product Co. Ltd | 4 | |
| SC | China | ? | ? | ? | ? | ? | 4 | card all chinese, no qualification notes |
| SU | Korea | Pyeongtaek City | trader | Sung-Hoon | Lah | L.K. Global Co. Ltd. | 3 | from websearch: company apparently makes airtight kitchen containers |
| SU | China | Hangzhou | distrib | Jerome | Lou | Zhejiang Sealand SCM Co. Ltd. | 5 | purportedly trying to get Cdn uni into new fast growing market. websearch - logisti |
| SU | China | Shanghai | restauranteur | Hui Rong | Hu | Takawaka Japanese Restaurant | 6 | looks like a fairly upscale sushi restaurant in Shanghai- no qualification notes |
| SC | China | Yantai | Distrib | Ding | Mu | Yantai Guanhai Seafood Co. | 6 | no qualification notes |
| SU & SC | China | Dalian | Importer | Hua | Song | Dalian Yutang International Trade Co. Ltd. | 5 | no qualification notes |

Contacts from Day 2 of the 2014 CFSE

| Product | Country | City | Business | First Name | Last Name | Company | Score | Comment(s) |
|---------|----------|----------------|------------------|------------|-----------|-------------------------------------------------|-------|---------------------------------------------------------------------------------------|
| SU | USA | Elizabeth (NJ) | Distributor | Sang Won | Lee | Iiko International Trading LLC. | 7 | VP for R&D working in New Jersey office which is (apparently) the Central Purchasing |
| SU | China | Dalian | trader | Shu Jing | Zhang | Sino-Trust Corp. | 6 | global supply chain management company that deals in a variety of materials, the |
| SC | China | Hong Kong | distrib; export | Sam | Chan | Daedong (Thailand) Co. Ltd; Senda Food Co. Ltd. | 5 | Daedong" is a frozen food exporter from Thailand; Senda - no web details |
| SU | USA | Seattle | exporter/distrib | George | Lee | Seattle Food Co. | 6 | looking for live urchin (GSU?) for repack and shipping to Asia |
| SC & SU | China | | e-commerce | | | | 4 | card all in Chinese |
| SU & SC | China | Hong Kong | import/distrib | Annie | Ng | Fung Yuen Universal Food Ltd. | 5 | no web presence |
| SC | China | Haikou City | AqC (shrimp); | Tina | Xing | Hainan Golden Spring Foods Co. Ltd. | 3 | fw aquaculture producer of shrimp and tilapia, expect more interest in export sales |
| SC | China | Beijing | import/distrib | Alex | Yang | EverFresh Business (Beijing) Co. Ltd. | 4 | web info suggests some affiliation with Bright Hope Co.(see CFSE2014_1105_04) |
| SC | China | Dalian | VA proc export | Tower | Wu | Dalian Huayang Food Co. Ltd. | 4 | 2* processor of finfish looking for buyers and suppliers of pollock, arrowtooth, Pood |
| SC | China | Haikou City | fw AqC; prod; | Chi | Xiao | Hainan Zhongyu Seafood Co. Ltd. | 4 | fw aquaculture producer of shrimp and tilapia, expect more interest in export sales |
| SC | China | Qingdao | trader | Peng-fei | Zhang | Qingdao YuManZhou Import and Export Co. Ltd. | 5 | |
| SC | China | Beijing | imp./processor | Susanna | Wang | BTR-Aquatic International Ltd. | 4 | Again appears to be an importer and custom (re)processor, website does not includ |
| SC | China | Dalian | producer | Janet | Du | Dalian Donglin Food Co. Ltd. | 4 | appears to be fishing, import and processing company |
| SC | China | Qingdao | ? | ? | ? | Shandong Ayeshan Group Co. Ltd. | 5 | english version of website does not come up so... |
| SC | China | Haikou City | fw AqC; prod; | Hua Jiang | Zhao | Sinofishery | 4 | fw aquaculture producer of shrimp and tilapia, expect more interest in export sales |
| SC | China | ZhangPu | distrib | ? | ? | ZhangZhou OceanRich Foodstuffs Co. Ltd. | 5 | Again appears to be an importer and custom (re)processor, website does not includ |
| SU | USA | Bellevue, WA | exporter/trader | Wanchi | Chang | Agrimax International LLC | 4 | international perishable trade with a strong focus on fruits, seafood is apparently e |
| SU | Malaysia | Selangor | Salmon prod/t | Zhen lan | Ng | Albatross Exim (M) Sdn. BHD. | 4 | salmon processor with main offices in Norway |
| SU | China | Dalian | AqC; import/di | Charlie | Chang | Zoneco Group Co. Ltd | 5 | large vert integrated AqC and ocean ranching producer with extensive op's incl. li |
| SU | Malaysia | | purchaser | Sayed | Ahmed | Alexandria international Center | 6 | sourcing urchin, prawn and salmon for Dubai, Saudi Arabia and Malaysia. Website |
| SC | Canada | Oakville | sales/mrktng | David | Wang | ZFAmerica | 5 | subsidiary of Zhangzidao in Dalian- see CFSE2014_1106_19 |
| SU | China | Guangzhou | trader | Jack | Chui | Guangzhou Hengtao Trading | 6 | |

Contacts from Day 3 of the 2014 CFSE

| Product | Country | City | Business | First Name | Last Name | Company | Score | Comment(s) |
|-----------|---------|--------------|------------------|------------|-----------|-----------------------------------------------|-------|-------------------------------------------------------------------------------------|
| SU or SC | China | ? | ? | ? | ? | ? | 3 | card all in Chinese |
| SU | China | Shanghai | distrib | Xinqiang | Chen | Shanghai Pudong New Area ... | 7 | wants fresh uni direct for Shanghai, currently buys in Guangzhou |
| SU or SC | China | ? | ? | Meng | Li | Silver Wing | 4 | very cursory info available so |
| SU | China | Guangzhou | producer/distri | ? | ? | Nine Plus Nine Food Co. Ltd. | 4 | diversified food production and processing company including seafood from NE C |
| SC &/or S | China | Shenzhen | prod/distrib/tra | Edward | Zhang | LianCheng Overseas Fishery (Shenzhen) Co. Ltd | 5 | diversified seafood production and processing company including offshore tuna. s |
| SU & SC | China | incl. Taiwan | restaurant | ? | ? | New Palace International Co. Ltd. | 7 | looks like a high end chinese restaurant chain, primarily based out of Taiwan but s |

Brochures and other give-aways CFSE 2014

| Item | Requested | Supplied | Plus | Day1 | Day2 | Day3 | Total Used | Returned | Change | |
|---------------------------------------------|-----------|----------|------|------|---------|------|------------|----------|--------|------|
| | | | | | | | | | from | prev |
| PUHA DVD #1 (Mandarin, Cantonese + English) | 0 | 2 | 0 | 1 | 0 | 0 | 1 | 1 | 1 | 0 |
| PUHA DVD #1 (Japanese + English) | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 |
| PUHA DVD #2 (Mandarin) | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| PUHA DVD #2 (English) | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 |
| PUHA Brochures: traditional* | 20 | 20 | 50 | 0 | 0 | 0 | 0 | 70 | 0 | 0 |
| PUHA Brochures: simplified* | 200 | 150 | 175 | 75 | 38 | 23 | 136 | 189 | -56 | |
| PUHA Brochures: English | 150 | 122 | 50 | 9 | 8 | 14 | 31 | 141 | -92 | |
| PUHA Brochures: Japanese | 25 | 15 | 0 | 0 | 0 | 0 | 0 | 15 | -1 | |
| Uni samples (grams) | 5,000 | 5,000 | 0 | 1000 | 1500 | 1000 | 3500 | 1500 | n/a | |
| Smoked salmon (g) | 2,500 | 2,500 | 0 | 500 | 1000 | 1000 | 2500 | 0 | n/a | |
| PSCHA Brochures: simplified | 250 | 250 | 125 | 28 | 108 | 16 | 152 | 223 | -9 | |
| PSCHA Brochures: English | 150 | 115 | 50 | 7 | 33 | 30 | 70 | 95 | -62 | |
| Company Brochures | | 75 | 0 | 52 | 23 | 0 | 75 | 0 | n/a | |
| B'cards (500 for MF, DM, Seagate) | | unknown | 0 | not | tracked | | | | | |
| Pens | 50 | 175 | 0 | 25 | 40 | 35 | 100 | 75 | 0 | |



Next year the show will be moving to a new convention centre in Qingdao. The new venue, the Qingdao International Exhibition Centre, is located on Aoshan Bay about 40 minutes north of downtown Qingdao. The new facility will have 10 halls and more than 50,000 square metres of net exhibit space making it one of the most modern, largest exhibition halls in China. For comparison, the existing Shandong Convention and Exhibition Centre in Qingdao used for the 2014 show provided about 25,600 sq. metres exhibit space. Accommodation will include new five-star hotels nearby while shuttle buses will run to downtown Qingdao during the show. A light rail to downtown is scheduled to be completed in 2016.



We also had a bit of an adventure the day prior to the start of the show that may be worth mentioning at this point. Using the above map as a reference, we boarded a bus out of Qingdao and travelled to the south west to a new and thoroughly modern city in the area of S329 that has been built, apparently from scratch, over the past 10 years. There are close to 1 million people living there at this point with more building etc. going on. A couple of other items of note was that the bus we were on was either a battery or fuel cell powered electric bus despite having a route that apparently comprises about 60-70 km each way. Also- the route included an approximately 8 km tunnel, comprising 3 lanes of freeway each way, that was built under the sea (terminated at about S399) that was built in all of three years.

While we were visiting this city we did a quick tour of what would be a kind of typical BC supermarket to see what items were available at what cost. We did not see any sea urchin but there was a lot of sea cucumber on sale. These ranged from the very high priced gift packs, with maybe 100 dried sea cucumbers, for up to RMB ¥12,800; to packages comprising about 16 individually vacuum-packed, semi-dried and frozen sea cucumber for ¥288; and to individual frozen, semi-dried and vacuum packed frozen sea cucumber at prices ranging from about ¥30 - 70. Sea cucumber from BC would be found in the final category although we did not see any from BC on display.





3.2 Meeting with Minister Theresa Wat

The Honourable Teresa Wat hosted a breakfast meeting of British Columbia seafood industry representatives at the Hyatt Regency on November 6. The purpose was to provide industry perspectives on trade impediments and advise on what the BC government might do to help things along.

Probably the most often mentioned problem had less to do with trade with China *per se* and more to do with a domestic policy that is causing a lot of concern within BC's fishing industry. The Marine Area Planning Partnership (MAPP) was brought up by most of the industry as a major and largely unnecessary impediment to making our industries more efficient, more competitive and ultimately more sustainable because it is causing further discord between industry and BC First Nations. First Nations expectations with regard to exclusive access and harvest privileges of BC fishery resources have taken a great leap upwards despite statements which claim to limit the plan(s) to areas not under federal jurisdiction. It has also caused divisions within individual fisheries as existing loyalties and personal self-interest conflict with established business relationships and practices. It is a very contentious issue that industry strongly believes will be very disruptive if implemented because of the divergent expectations, interests and agendas. The

impacts on the industry are likely to be profound as groups again turn inward to fight each other instead of concentrating on working together as is needed to successfully meet the challenges of competing in today's world. The Government of British Columbia has a very important coordinating role to play in ensuring that everyone is playing on the same page so we can present a coherent message to our international customers and partners.

One other issue that was raised concerned the determination of tariffs into China. The tariffs are fairly steep, using a tariff of 10% and an Import Value Added Tax (Import VAT) of 17% calculated based on the FOB price on entry. In a number of cases the listed valuation is discarded in favour of a higher valuation when "C" grade product is arbitrarily assigned an "A" grade valuation by the inspecting authority simply because of its originating country. This renders the product increasingly uncompetitive in the market and encroaches on our reputation in the market because we are no longer seen as fairly grading and pricing our product(s). The Government of BC could help by investigating and providing some guidance on the mechanism(s) and reasoning used to determine the value and by bringing it to the attention of the federal government and identifying it as an issue of concern in any negotiations Canada has with China on trade, border inspection guidelines and oversight.

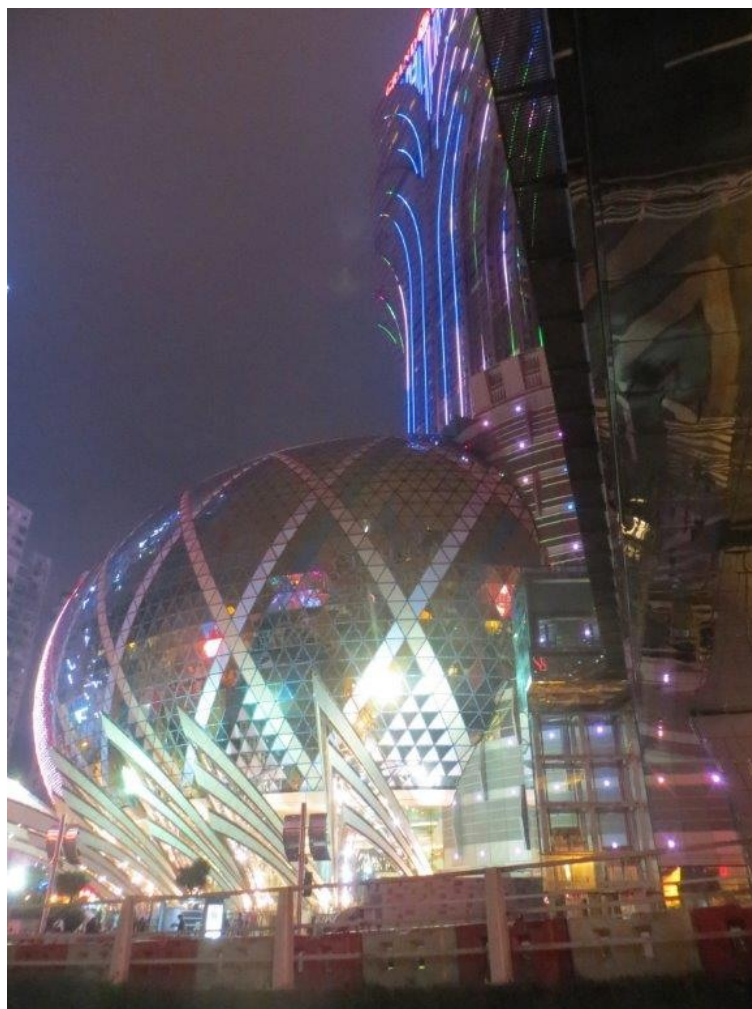
The BC Government also hosted a dinner for BC delegates to the 2014 CFSE. This presented good opportunities to meet other BC and international players in the seafood trade. The BC sea urchin and sea cucumber fisheries are however, kind of unique and small scale so the number of other people attending the event who were interested in them was limited.



3.3 Shenzhen and Macau

Following the show we stopped by Shenzhen to meet with customers and try to get a tour of the large wholesale market serving the area. Unfortunately our timing was off by a bit and we did not manage to get the market tour in but we did manage to catch up a bit with Phenix Everlie a fairly significant buyer of our products in Shenzhen. This meeting was not expected, or intended, to develop new business or market insight *per se* directly but this is China, a place where it is critically important to make special efforts to maintain and bolster personal relationships as a prerequisite to moving forward with any business with any hope of success.

Mr. Everlie has a number of businesses in the area including seafood purchasing and distribution and some high-end Chinese restaurants. He has traded, distributed and sold Canadian sea cucumber, sea urchin, geoduck, crab and sablefish and continues to use his personal connections to supply Shenzhen with these and other products. He also continues to provide his personal insights on how the China market is developing and trending. He is confident that the new government in China is doing well and that the anti-corruption drive is going to be good for the country, at least in the long run. They are just opening their 10th restaurant, in contrast to many of their competitors which are not doing well, and he feels that his personal understanding of the markets and connections to suppliers is providing advantages to his business and his suppliers.



After spending the night in Shenzhen we continued on to Macau, the gambling mecca adjacent to Hong Kong which is another of the markets we are moving our seafood into. Macau, a former Portuguese colony, made US\$38 billion (HK\$294.9 billion) in gambling revenues in 2012. It is the only place where people can legally gamble at casinos in China. The city boomed in the last decade when the industry grew at double digit rates to reach 6 times the size of its nearest rival, Las Vegas.

We only had time for a quick tour of the area after we arrived. From what we saw, the city is indeed a brightly coloured, gauche and pretty much frenetic maelstrom intended to fleece unwary visitors of what ever careless money they may have access to. The main features are, of course, large gambling resorts, some of which appear to be drawn out of a Walt Disney fantasy, but which are all undoubtedly designed to get people in

the mood to dream about how much they can win. The objectives one sees in the town and in the visitors are definitely focussed on gambling. Dining, shopping and eating are seemingly things that are catered to as a distraction for time outs, but the focus remains on the games. Pawn shops to get access to more money and stores filled with jewellery, gold, electronics and various sparkly art pieces on which to spend any earnings surround the casinos in the main part of town while in the new section of town - some island about 15 minutes away by cab- these are included in the mall(s) which are also part of the casino resort. It is hard determine exactly what kind of potential Macau has as a seafood market because eating is likely only a secondary issue for most visitors who may resent the time it takes to really enjoy a premium dining experience because it is time they are not at the tables and slots.



It seems however that at least part of the glow has been coming off Macau of late because of the changes in China. Many in the city are worried as Beijing is set to launch a major crackdown on the multi-billion-dollar flow of illicit funds that supports much of the industry there. Macau itself is totally dependent on the revenues from gambling but the anti-corruption drive in China takes priority. Gaming revenues are already down by almost 25% year-over-year this year for a variety of reasons, including the anti-corruption efforts undertaken to date on the Mainland, and the trend was threatening the city's economic future even before the Macau-directed crackdown was announced.

We will continue monitoring the seafood developments in Macau but our preliminary reconnaissance suggests we are not likely to be able to reasonably promote our products there. The city is designed around and focussed on gambling and local businesses (restaurants, hotels, resorts) are likely the only one who could break through to design, coordinate and implement a successful campaign at this point.

4.0 Looking Ahead

4.1 Cultural Influence Heads-up

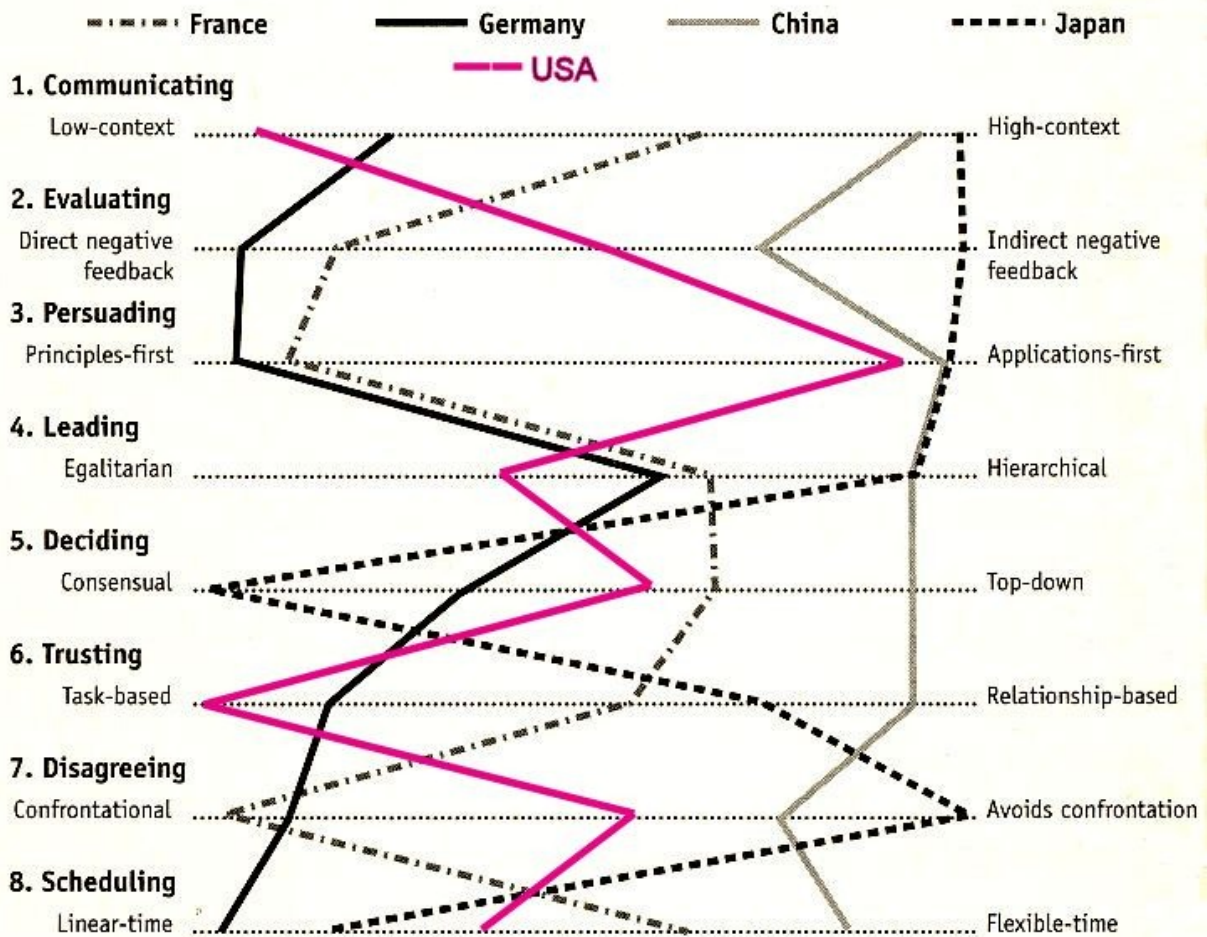
Even though we live in an increasingly connected world, every person brings with them habits and preconceptions that have been basically pounded into them since they were borne. Each person is somewhat unique but these characteristics also vary in a more general depending on the culture the person hails from and there are many occasions where discussions, meetings and deals have gone off the rails because those involved did not, or perhaps could not, account for some very important differences between them. These differences are now subject to study so they are at least somewhat objectively systematized and after reviewing some of my previous reports I am thinking a short discussion around this might be constructive. The following is extracted from “The Culture Map: Breaking through the invisible boundaries of global business” by Erin Meyer (2014).

So, to first describe how the system works: Ms. Meyer has mapped the characteristics of various cultures using eight dimensions which can then be used to distinguish differences between the cultures. Each criterion allows graduated ratings between 2 extremes and the maps that result allow for fairly quick and easy comparisons so differences can be identified. The eight dimensions and associated ratings system she has developed are:

1. Communicating: Low context.....High context
2. Evaluating: Direct negative feedback.....Indirect negative feedback
3. Persuading: Principles first.....Applications first
4. Leading: Egalitarian.....Hierarchical
5. Deciding: Consensual.....Top down
6. Trusting: Task-based.....Relationship-based
7. Disagreeing: Confrontational.....Avoids confrontation
8. Scheduling: Linear time.....Flexible time

An example of the kind of map produced is shown on the following page. A quick glance provides insight into what to look for at meetings involving say Americans/Canadians, Europeans, Chinese and Japanese. For example, considering the Communicating dimension: Canada and the US are “low context” which generally means that what you say is what you expect others to hear. China, Japan and Korea on the other hand are “high context” where “how” something is said and what is “not said” are just as, or perhaps even more, important in deciphering the intended meaning. This requires listening more for what is meant, as opposed to more simply what is said, something which requires more reflection, asking more clarifying questions (open-ended) and picking up on more body language cues.

Important differences between China/Japan and Canada/US are also found in the Trusting dimension: China and Japan are Relationship-based while Canada/US are Task-based. In the latter case, trust is built through business or work related activities and work relationships are built and dropped easily and the trust developed is limited in scope. In the former, trust is built



through meals, after work drinks, visits at the coffee machine and other activities outside the work environment over the longer term. It is also worth noting the ancient Japanese proverb: “When the character of a man is not clear to you, look at his friends.” Relationship-based trust is deeper and once built, loyalty and openness automatically transfers into all aspects of living, including business. In fact, in terms of business dealings in these countries, the profound realization is that the relationship is the contract because there is no, or traditionally has never been, a trustworthy legal system by which agreements can be enforced. One should not mistake a long lingering meal or outing as being a waste of time in a relationship-based culture even when no business is discussed, it may end up being the most important part of a business trip if it is used as an opportunity to develop a personal connection, extending even to nascent friendship.

North American business meetings are generally considered good when a decision is made while Asians tend to develop consensus beforehand in what to North Americans are often seemingly interminable discussions so the meeting, when it happens, simply puts a formal stamp on a decision that has already been made. From a Chinese perspective, the most successful business meetings are those where business issues are not even mentioned. This is something that many people from task oriented cultures, like Canada and the US, do not recognize which makes it very difficult for them to satisfactorily complete or conclude transactions.

With the emergence of China as a major economic power, the centre of gravity in building trust has shifted fundamentally and finding success in these countries requires sharing your true self and allowing the development of true friendship. This means relaxing with them over drinks when the time comes and dropping pretenses - dare to show you have nothing to hide and the trust will follow. “

This can have effects as well on how disagreements are handled. China, Korea and especially Japan generally avoid confrontation and are emotionally unexpressive and so apparently hard to ruffle, at least when they are dealing with people they know and have relationships with. All are kind of centred on Confucian philosophy which provides clear direction on how to behave with people you have a relationship with. It does not however provide any guidance on how people with whom no relationship exists are to be treated with the result that their treatment can range from indifference to outright hostility. Relationships are absolutely key in these countries/cultures and allowing and/or facilitating opportunities to engender their development can pay very large dividends in future business success.

North Americans have also complained about how disorganized things in China seem to be at least some of the time seem and how infrequently things there seem to unfold according to plan. China is, in fact, rated very highly on flexibility and this extends into how they relate to time. Whereas Japan, Germany, the US and Canada have a very linear time perspective where things are approached in a sequential fashion with a focus on deadlines, schedules, promptness and organization, flexible time proponents are more fluid in their approach, doing many things at once and changing tasks as opportunities arise. From this perspective, interruptions are expected, anticipated and accepted and the focus is firmly on adaptability and flexibility.

4.2 International Situation Summary

The world seems to have entered into a sequence where bad news is cascading through the global economy. To start, it looks as though trade has lost some momentum again recently and demand has turned more fragile. Among advanced economies, the outlook for the US looks strongest although most everywhere else in the developed world is cause for concern. In Japan, economic activity and import demand slowed sharply in the second quarter, following the sales tax hike in April while in the Euro zone, including in Germany, the powerhouse of the region, economic growth stopped rising in the second quarter and import growth halted in June. Both regions have recently been declared to be in recession. Meanwhile, Russia's economy and external trade are clearly feeling the impact of the Ukraine turbulence and resultant trade sanctions. India is one of the few emerging markets where activity and import demand strengthened recently, and some further improvement can be expected.

In short, this means export prospects are subdued and/or uncertain and this, in turn, is holding back investment and growth in export-dependent countries, the most notable of which is China. China's economy has slowed, and import-sensitive components, such as real estate and corporate investment, are particularly weak. While there's no expectations of a sustained collapse of imports in China, a rapid import recovery is also not on. Downward pressures on growth remain and real estate weakness continues to weigh on the economy and the country is now expected to miss its 7.5 per cent growth target for the year.

This is having spillover effects on other economies supplying the commodities supporting the manufacturing as lower demand for commodities has reduced growth of incomes – and thus imports – in many commodity-exporting economies as well, notably in emerging markets. Growth forecasts for China, South Korea and Hong Kong have been lowered and expectations are that economic growth in many Asian, African, Central American and other countries may disappoint in the coming months because of the weaker-than-expected trade developments.

All in all, the outlook for global trade is unimpressive. In its October World Economic Outlook update, the International Monetary Fund scaled back its projection for global trade growth in 2014 to 3.84 per cent. That would be an increase of only 0.8 percentage points from 2013 – a much smaller acceleration than expected at the start of this year, but the upshot is that while global trade should continue to grow at a reasonable pace, a significant revival of global demand any time soon is unlikely.

The recent rapid decline in energy costs may help counter this trend but opinion is still divided on the eventual impact(s). It is going to have mixed effects on economies around the world with producers taking a hit while consuming nations benefit. China falls into the latter group and, as the factory for much of the world, may benefit dramatically if global demand for its products increases as consumers around the world find they have a few more dollars in their pocket and decide to spend, rather than save, them. The jury is still out but it sounds like there is some consensus forming around projections for limited global growth through the winter followed by accelerating activity next year especially as manufacturing gains traction in the US and wages rise so multipliers start kicking in and the good news spreads from there. This is, of course, all predicated on the absence of any major geopolitical catastrophes in the interim, and on this we can all remain hopeful, if not wholeheartedly optimistic.

There are however also some concerns showing up in global currency valuations. The projected appreciation of the US dollar, still the world's main reserve currency, presents a certain peril for world finance. Aside from the fact that the appreciating USD renders US manufactured more expensive, and therefore somewhat less competitive on price, there are also worries about how some countries are going to be able to keep ahead of their USD denominated loans. Global banks international claims on non-bank private sector companies now stands at about US\$ 9.5 T and as the greenback appreciates borrowers, many of them in the developing world and some of them owing very substantial amounts, will need more of their domestic currency to repay their debts which again are denominated in USD.

The risk of a debt 'accident' is thought highest in China as cross-border loans to business there by global banks now total about \$1.1 T US, fully 28% of their exposure to emerging markets. If capital flows out of China cause the yuan (RMB) to weaken significantly, repayment could become a questionable proposition, especially given the on-going and probably soon to escalate hostility such currency moves tend to generate in the US halls of congress. The thought is that while China has some US\$ 4 Trillion to help mitigate any ensuing bad debt problem, any move to turn its vast holdings of US Treasuries, EU debt and Japanese bonds into cash could, if significant enough, precipitate a global rout, a very unfortunate event in this time of generalized global economic fragility.

In China, the downturn in land sales and property markets is seriously affecting proceeds for local governments which are dependant on land sales of property to developers to fund many of their activities. The volume of land sold in 2014 declined 47% from 2013 and revenue by 75%. Upwards of 35% of the auctions are being cancelled because of lack of interest and, again, the collapse is expected to have knock on effects throughout the country. Property accounts for a large portion of the economy in China (16% of GDP, 33% of fixed asset investment, 26% of new loans, 39% of total government revenues) and land sales have been providing about 75% of local government revenues. Local governments throughout China have been able to get funding since by tapping into loans through local government funding vehicles. The leading banks in China are under the control of the government and have increased their lending as a stimulous measure by the government. Loans to local governments through these vehicles now total some RMB 5 Tr but many of these again depend on the land as collateral which is, as above, diminishing in value. State banks have some RMB 75 Tr in assets and could step in to help more, but they are already holding some RMB 17 Tr in loans in total and may need some further encouragement from the central government to get more deeply involved.

Some have observed that China's severely under-capitalized financial system, chronic overcapacity and unbalanced growth are strongly reminiscent of Japan just as that country's bubble troubles started in 1993 and suggest it is increasingly likely that China may well repeat the experience in Japan. This conclusion derives primarily from the ongoing credit habit which saw debt grow at 16% year on year as of July 2014 and which signifies that China is still adding to its debt and credit bubble, not curbing them as it claims.

All of this leaves China in a bit of a bind. On the one hand, the longer they wait to create a fully functioning and stable banking system the more it courts the kind of lost decade(s) suffered by Japan. On the other hand, attempting a broad credit shakeout now would cause suffering in every sector of the economy and propel the risk of social unrest way up. Going down this road is considered by many to be unlikely. China embodies a national philosophy with an over-riding communal priority for harmony as laid out many centuries ago by Confucius and putting that at risk for just about any reason is generally considered a crime in China.

Ensuring harmony is no easy feat in a country the size of China, a country whose scale and complexity are becoming almost impossible to manage. Despite near total control of the media, Chinese politicians cannot ignore public opinion and their main concern is all about getting the media message right. Assumptions about their ability to shelve political narratives in the absence of an electoral cycle are set upon by the reality of having a impatient urban generation who have no experience of the hardships that came before. Chinese using the internet now number 640 million, a number exceeding any realistic limit that might be controlled, and although there are undoubtedly ongoing efforts to contain stories which do not align with the government message and contradictory signs, the government is reportedly coming around to realize that nothing is more dangerous for a government in crisis than having no-one believing you.

For example, being seen as doing something about the very high levels of pollution in China is becoming a matter of life and death for the Chinese Communist Party. The good news is that air pollution may be easing somewhat in parts of China but much of this is due to slowing industrial activity as opposed to more effective control of manufacturing processes. The slow down is not showing up in the economic statistics for the country, which are still claiming 7.5% growth but it

is becoming more evident in many other ways including flat-lining real estate, rising levels of unused factory capacity, growing stockpiles of industrial commodities and feedstocks etc. These inconsistencies are again bringing questions on the accuracy of said statistics but even if they are accurate(ish), debt is still the main source of funding for sustaining cash flow in many parts of the economy. This is, in turn, creating a treadmill that at best only conceals what are otherwise bad debts so lenders do not suffer losses but when this train comes to an end there are going to be problems. Capital investment has now declined to less than 25% of the 2010-2011 totals and some economic forecasts are projecting only 6% GDP growth in China by 2016.

Given all this, it should be pointed out that the changes that have unfolded of late in many parts of the world, including China, are simply astounding. These have been overwhelmingly good for the past few decades and are not likely to completely reverse unless things go completely sideways on a very large scale. Technology is allowing more people to interact directly without having to depend on their leadership to facilitate and mediate exchanges of information and understanding. This, in the eyes of most, is only good although there are likely some in leadership roles who feel a bit threatened by a perceived loss of power and/or control. This too may not be a bad thing.

It is worthwhile to reiterate some figures which stand as a stunning reminder of the scale of the changes under way in China. In the past 40 years, 500 million people have migrated to the cities and there are another 225 million more to go over the next 12-15 years. Note that this latter exodus is like half the population of Canada (~ 15 M) shifting into a city each year. China's middle class now includes 300 million people and is expected to grow by another 200 million by 2026. As a result of just this there are currently more than 200 new cities are under construction in China. The country has experienced a compound annual growth rate of between 7.5 - 15% every year for at least the past 25 years and, while this is projected decline somewhat over the next few years, domestic consumption and more sustainable growth patterns are expected to come to the fore. Right now banks in mainland China have some 112 Trillion RMB (\$ 20.69 Tr) in deposits, one of the largest such repositories in the world while the government has more than USD 4 Trillion in currency reserves to help through rough patches. These numbers suggest there is most definitely room for optimism on continuing legs for Chinese development and therefore for all the other economic activities that such growth drives. This is not to say there will not be turbulence or hiccups, those are unavoidable, but we are also learning that all countries are increasingly in this together.

A number of prominent pundits have made the point recently that the fate of China is going to be a major deciding factor in the economic lives of virtually every country and most enterprises in the world over the next while. With this in mind, it would seem that a review of some of the factors affecting that fate and the trends that are possible as part of that may be warranted. I realize this is above my pay grade but I hope there are some who read this who will find it of some value.

4.3 Rising China

There have been any numbers of reports on the Rise of China over the past few years describing a new apparent assertiveness by China in its relations with many of its neighbours and claims to

territories far from its shores. Many Chinese feel there are a number of areas they owned in the past that ended up being occupied by other countries as their power waned. but now the country is again becoming more powerful they wish to reclaim them. These include the territories within the 9-dash line boundary was unilaterally drawn by China around the South and East China Seas. These claims to run counter to recognized international law as included in the UN Convention on the Law of the Sea (UNCLOS), to which China became signatory in 1996. The claims are justified by China because it was first published in 1947 in the aftermath of WWII and some 40 years prior to creation of the UNCLOS. The issue basically sat fallow until 2009 when China submitted its claims to the South and East China Sea regions to the UN based on this line, a development which immediately set off a series of diplomatic tsunamis that continue even today with its neighbours and leave many of the rest of us shaking our heads wondering what they are up to. Beijing is apparently continuing to shun international conventions for resolving disputes, leading to more suspicion of its intentions with its rising power.

Japan presents a particularly vexing problem to China because many see it as avoiding attribution for its share of horrors leading up to and during WWII despite acknowledging it needs to reclaim its "honour". China suffered tremendously from Japan's aggression in this period and the government cannot ignore the dismissal by the Japanese of any responsibility. The United States recently demonstrated authentic leadership in reclaiming its standing by releasing the summary of its own report on enhanced interrogations by the CIA which honestly described the horrors, shortcomings and faults of the program. By condemning the program it again showed that the path to reclaiming honour and distinction has only one starting point: Truth. Germany allowed the same realization to guide its post-war acceptance of attribution and both are all the greater for doing it. Truth and reconciliation commissions around the world have reinforced the notion and the imperatives we can all take from many different circumstances and some recent comments from leaders on how such monumental tragedies come about have been very insightful. Unfortunately, not all have taken up the lessons and nationalism is again being stoked by a number of governments and movements so that revisionism and resentment over historical injustice(s) is again on the rise. Hopefully it will not boil over again because it is quite simply something we cannot afford.

Judging China by its actions rather than the howls of its press suggests it is at least considering a new approach to mollify its neighbours. There have been recent signs that even relations with Japan may be on the verge of warming somewhat because at least some in the leadership are recognizing that those kinds of tensions reflect poorly on China, its intentions and its accomplishments.

4.3.1 Corruption

With a population of some 1.36 Billion souls from 50 different ethnic groups spread out over a country that is the third largest in the world in terms of geography, a history extending back millennia and a whole range of different power centres catering to various local and/or siloed constituencies, the effective authority of the central government is probably just about always in flux. The main directive driving governments around the world appears to centre on sustaining, buttressing and legitimizing its role as the sole protector of sovereign authority. In China this now includes a focus on national defence, public order and social development and a signature campaign to scrub corruption from the public and private spheres.

Corrupt activities in China take many forms, from high level officials running brothels to police chiefs selling promotions, sweetheart deals with vastly inflated costs to illegal confiscations of land for development which displace farmers and benefit only the developers and their patrons etc. It also apparently includes smuggling operations carried out by military units to get high value goods, including seafood, into the country. Costs are often lower as the official tariffs and additional charges are avoided. Parts of these same units are also often responsible for the border scrutiny so have been reported to be extra-vigilant and demanding at the legal station if they want to have the product diverted to less scrutinized route by which they profit more directly.

A recent Xinhua report, since scrubbed from the internet, gave a rare insight into how official positions are bought and sold - call it the marketplace of graft. The article was unusual because it presented corruption as systemic, which runs counter to the Communist Party line that graft is a moral failing of the individual. The article, entitled "Who are the buyer and the seller?", said graft-busters had identified three types of people who might try to buy positions - those who were eager for a promotion, those who wanted to be transferred from a poor unit or region to the rich one, and people outside government who wanted in. The main sellers are senior officials, in particular the top official in a region or a unit who has power over personnel matters. The No 2, and sometimes the third and even fourth-in-command, take bribes to help people get promoted. Posts come with specified price tags: 200,000 yuan for a technology posting; two million yuan for department-level one; 10 million yuan for a deputy mayor position, 100 million yuan for a city party Chief. It appears that China's officialdom was/is a marketplace where certain corrupt officials sell and other corrupt officials buy positions.

Corruption also extends into property development activities. One prominent real estate developer recounts in a BBC report how every one of his high-rise construction projects involved bribery of officials who control land use. It's normal practice to give gifts and if you don't, your projects won't go through. It is widely believed that all the government officials are corrupt and so are all the business people who have to deal with them. The only difference is scale. Some are more corrupt, some are less, but they are all corrupt.

It is also pervasive and entrenched and the effort required to control it are going to be enormous. Those with the integrity to resist the temptations of easy money and power are still at risk of prolonged detention and even disappearing, even as the officials involved profess their ignorance of such events and their innocence of any corruption. The BBC reports on one case where a whistle-blower who caught and reported his boss stealing public money was imprisoned while his boss was reprimanded with a small fine. The fact is that the program on the local level is not being applied in the same spirit as it is nationally and that local officials protect each other even as they work with business owners in the pursuit of mutual benefits.

Traditional Chinese political philosophy, Confucianism, defines politics as a moral issue anchored to time whereby ruling by virtuous example is the foundation of social stability. This translates to something pretty absolute and President Xi has embarked on an anti-corruption campaign that is targeting “flies and tigers” at all levels, as the program must be perceived as credible. He has even declared it the new normal in China, implying that it will continue indefinitely and will remain part of the standard fabric of governance in China.

The anti-corruption campaign is a big deal in that it has now investigated about 75,000 party members, with almost 20,000 already being punished but even now appears to have barely started. It is likely to extend internationally as an estimated 20,000 officials with some USD 150 B in illicit funds have been juicing property and other markets around the world since the mid 1990's. The list of Tigers taken down thus far includes Zhou Yongkang, the nation's former security tsar, (former) General Xu Caihou, former vice-chairman of the powerful Central Military Commission, Gu Junshan, former deputy chief of the military's General Logistics Department. Reports suggest these were only the start of efforts to tackle corruption in the military.

However, the program is nonetheless also stirring increasing resistance from those who benefit from corrupt practices. The anti-corruption campaign has reportedly thrown government into confusion and is causing some dissent within the Party ranks. Some party insiders complain that the campaign is too tough, destroying incentives and damaging economic growth even as others saying the very survival of the Communist Party hangs on the success of the program. President Xi is committed to tackling corruption at all levels because he realizes it is so deeply entrenched and because he believes the Party is doomed unless the campaign succeeds. Interestingly, to outside observers it remains an open question whether the Party can work out how it is to operate without its "bribery fix". All of this is known but what is not discussed are the tactics being employed by those resisting the campaign.

Even the country's stance on (extra-) territorial claims could be part of this script. This is perhaps a bit speculative but there might actually be more going on with China's moves on the previously mentioned territorial claims than one might first imagine. One set of tactics that could be expected to be at least somewhat effective would be assertive foreign policy statements by powerful departments and/or ministries which the government must then back to support external perception(s) of its internal solidarity and coherence. Such statements might include extended claims far beyond recognized shores, provocative air and/or maritime control zones around contested areas etc. These are couched in terms of the national interest, which of course the government cannot dispute or challenge, but they can also be seen as "mischief" intended at least in part to distract the government from its anti-corruption focus. One might speculate that the provocations set out on the South and East China seas may comprise such defensive moves, some initiated even years ago, by senior cadres and/or departments whose power and livelihoods, if not lives, are jeopardized by the anti-corruption campaign. How it all plays out over the next couple of years should provide more insight into the genesis and eventual resolution of said uncertainties.

4.3.2 Checks and Balances

Given the many examples and widespread effects of corruption, it is commendable that the government is pursuing corruption at all levels and that it is becoming socially unacceptable in that country to demand or even often accept such perks of power. It is also apparent that they have a long way to go and that the campaign will have to be sustained for a considerable period to achieve any degree of success. One might also note that government control over the press and judiciary is likely to render any respite from corruption temporary, as indeed it could be in any jurisdiction where power, money and influence hold too much sway. Other developed nations

only shook off mercantile-ist domination after the unbridled power and severe social inequities it engendered became insufferable to society at large. Such corporate power is considered derivative of corrupt practices in today's developed world, but these links were only exposed with the spread of a free press, independent judiciary and untainted polity in the early 20th Century. It is hard to see how China is to going to be any different in that regard. President Xi has asked the courts in China to help him "cage power" but "power" is characterized in part as continuing an incessant press for additional advantage and trying to free itself when constrained. It is very likely a battle that never ends, something that the West too is still coming to grips with.

History basically demonstrates that a prosecutorial approach is not the most effective means to battle corruption, such things as asset disclosures by public officials and the creation of a decentralized reporting system that empowers individuals' battles against corruption etc. are needed. China has thus far avoided these although something along the lines of the former is expected sometime early next year (2015).

There are also thus far rhetorical changes that emerged from a major political meeting in China in November 2014. The 4th plenum proposed to establish a mechanism within the National People's Congress so the "sleeping" constitution, a document that promises a wide range of civil liberties, may finally come to life. In response, Constitution Day in China was established on the choice of "rule of law" as the central theme of the gathering. The Constitution has claimed paramount authority in China since its birth but none of its provisions have been used as legal bases for judicial decisions but the hope is that the 4th plenum will be remembered as a landmark in China's legal development for introducing numerous far-reaching legal reforms aimed at "locking power in a cage" and promoting judicial transparency and accountability. The 4th Plenum emphasized the role of the constitution in establishing the rule of law in China, albeit with the caveat that "China will continue to adhere to a "socialist path in the rule of law with Chinese characteristics" by which the party has made it clear that China rejects the Western concept of judicial independence despite the inherent logical contradiction in the declaration.

To clarify, in Western democracies, independence protects the judiciary from infringements by the legislative and executive branches, and constitutes a bulwark against abuse of power. In China, however, based on the above declaration, Western-style judicial independence has no place within the current constitutional framework and the government opposes the concept of separation of powers. Given the party's general leadership over judicial organs it is hard to see how individual judges will be able to adjudicate cases with assurance of no arbitrary interventions by party officials. In fact, there have been and are indeed still many examples of party officials manipulating judicial decisions for their own benefit in flagrant defiance of the leadership's earnest appeal for rule of law. This may change but as long as there is no punishment for such extra-legal manipulation, the party's pledge of the rule of law will be revealed as empty talk and Constitution Day will be meaningless.

On a more hopeful note perhaps, reports from the ground in China report corruption seems to be moderating. The campaign is still having continuing and strong effects on the sales of higher-end goods and services and affecting markets for imports including seafood. As a result restaurants have been forced to cut expensive items like sea cucumber and geoduck, hotels are lowering their 'star' ratings and sales of lower cost domestic vehicles surging even as sales of imports languish. The end result is yet to emerge but these sorts of changes are most likely to be constructive.

5.0 Conclusion

The government in China is trying to encourage growth in consumption in China and move away from a model based on export-related investment. If this does work out, and the government is able to adapt to reasonable legal and procedural expectations of the international community with regard to territorial claims and support limits to the exercise of sovereign power in our fast shrinking world, all nations stand to benefit, possibly even greatly. With a bit of luck, our Community of Nations will assume a shared mantle of leadership for humanity and all will continue to seek the best possible path. The best socioeconomic model has yet to be devised and hopefully we can all move beyond dogma to empirically invest ourselves in improvements. The contributions of all as part of a mosaic so continuing efforts towards sustainable development and use of fishery resources by fishermen, their associations and the various sectors they support are key to realizing that ideal. Keeping that in mind may help in keeping faith with a bountiful and optimistic future for humanity on this tiny little gem that we call Earth.