

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

**Trip Report for the
November 2015
China Fisheries and Seafood Expo**



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November 26, 2015

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Executive Summary

The Pacific Urchin Harvesters Association (PUHA) and the Pacific Sea Cucumber Harvesters Association jointly exhibited at a booth at the 2015 China Fisheries and Seafood Exposition as a key part of their respective international programs. The show took place in Qingdao China November 4, 5 and 6, 2015 and PUHA and the PSCHA were represented by a delegation comprising Mike Featherstone, David McRae and Geoff Krause. Pat Fantillo, Francis Cheung and Paddy Wong also attended and respectively represented processors and exporters active in the fisheries: RBS Seafood Harvesters Ltd., Grand Hale Marine Products Ltd. and Paladin International Food Sales Ltd.

To characterize the show, it is the largest such show in Asia and this was our 7th year exhibiting at it. This year it was held at a new and much larger venue built on the outskirts of Qingdao. There were some transport issues as the commutes from and back to the city centre took up to a couple of hours each way but other than that the show went off without a hitch. We were again part of the Canadian Pavilion which was situated in a very good location at the entrance to the international section(s) of the show so traffic was strong and non-stop throughout.

We collected and catalogued contact information from 102 visitors to the booth this year. This was our best ever total at this show and is quite likely a reflection of the excellent location of the Canadian Pavilion. The sea urchins also seemed to generate a bit more interest than the sea cucumber based on the numbers of declared interests although again there were many interested in both products as opposed to just one or the other. Traffic was again heaviest on the first day of the show pretty light on the last day, as seems to be the normal way things roll at these sorts of events.

	Daily Totals						Both			Urchins		Cukes	
	2010	2011	2012	2013	2014	2015	joint	sole	% of show	sole	% of show		
Day-1	25	34	27	34	43	50	24	21	50.6%	5	43.3%		
Day-2	20	21	32	48	22	38	17	19	40.4%	12	43.3%		
Day-3	10	12	13	16	6	14	3	5	9.0%	6	13.4%		
Total	55	67	72	98	71	102	44	45		23			
Avg Score	7.39	5.92	5.69	5.12	4.84	5.20							

We also collected and catalogued 13 government and business contacts we met at the reception hosted by the Canadian Trade Commissioners at the Shangri La on November 3, 2015.

Product	Country	City	Business	First Name	Last Name	Company
SU & SC	China	Beijing	government	Bei	Wang	Gov't of Canada
SU & SC	China	Chingqing	government	Coco	Wen	Gov't of Canada
SU & SC	China	Xiamen	government	Liu	Xin	Gov't of Canada
SU & SC	China	Shanghai	government	Claire	Zhu	Gov't of Canada
SU & SC	China	Chengdu	government	Ricky	Qian	Gov't of Canada
SU & SC	China	Xi'an	government	Corrine	Wang	Gov't of Canada
SU & SC	China	Beijing	marketing consultants	Zhang	Ran	Beijing Seabridge Marketing and Consulting Co. Ltd.
SU & SC	China	Xiamen	e-marketing	Tony	Tang	Xiamen Base mall E-commerce Co. Ltd.
SU & SC	Canada	Richmond	transport	Krystal	Harnett	Flying Fresh Air Freight
SU & SC	Canada	Richmond	transport	Pablo	Rodriguez	Flying Fresh Air Freight
SU & SC	China	Gongyeyuan	cold storage	Huikai (Sophy)	Mo	Jiaming Cold Storage Co. Ltd.
SU & SC	China	Xiamen	commerce	Yorick	Jiang	Xiamen Citi-base Commerce Co. Ltd.
SC	China		distributor	Tiange	Wen	Familiar Foodstuff

The same basic visitor patterns were seen in the numbers of brochures that were given out at the booth although the differences between the first two days are more pronounced. We did not distribute or indeed bring along copies of our association DVD's for the simple reason that the censors require copies be submitted some substantial period before the show so they can review and authorize their use. The two copies of each that we brought along were backups in case our preferred method of using copies on a memory stick did not work. There was some concern expressed that bringing along more copies might attract extra scrutiny coming in through customs that might put more of our display materials at risk of being caught and lost in the process.

All in all, we considered the show a success and look forward to attending again next year.

This report is a summary of the events and findings developed over the course of this trip as well as insights gathered through researching through secondary source literature over the past year or so. The opinions and interpretations expressed within are solely those of the author, Geoff Krause.

Trip Report for the November 2015 China Fisheries and Seafood Expo

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Acknowledgements

This project was funded by the Agri-Marketing Program of Agriculture and Agri-Food Canada as part of the coordinated International Marketing programs for the Pacific Urchin Harvesters Association and the Pacific Sea Cucumber Harvesters Association. Ms. Carrie McKenzie, 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 and company representatives from across Canada, put together a very impressive pavilion for Canada seafood producers at this important Asian showcase. The friendly, outgoing and yet 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.

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

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

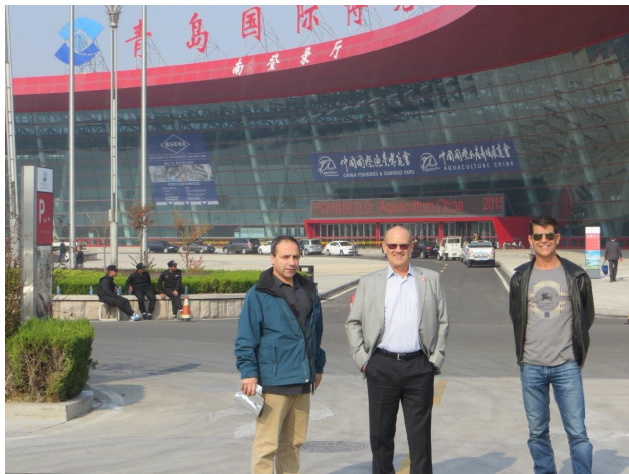
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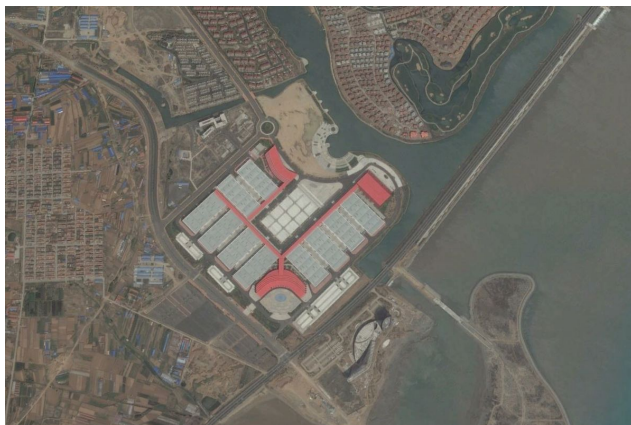
**Trip Report for the November 2015
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Introduction

Mike Featherstone, David McRae and Geoff Krause arrived in Qingdao to attend the 2015 China Fisheries and Seafood Exposition on November 1, 2015. Activities were not planned until November 3, 2015 but because we must, by necessity, hand carry product in for exhibiting at the show, we must also arrive in Qingdao as our initial port of entry into the country and all the later flights were booked. Pat Fantillo, Francis Cheung and Paddy Wong from RBS Seafood Harvesters, Grand Hale Marine Products and Paladin International Food Sales respectively, were not so constrained and met us in Qingdao over the next few days to help out with the booth and meet customers at the show.



The show was moved to a new exposition facility for the first time this year. This new facility was built expressly for the purpose of hosting major expositions in a fairly remote spot on Aoshin Bay some 92 kilometers from downtown Qingdao. The site is very impressive, comprising an assemblage of 10 exhibition halls, each of which encloses approximately 5,000 square metres plus a couple of registration halls, the lower one of which is seen backdropping this photo of the lads, and what looks to be a 5,000 square metre servicing and maintenance area on the far right on the plan view of the complex.

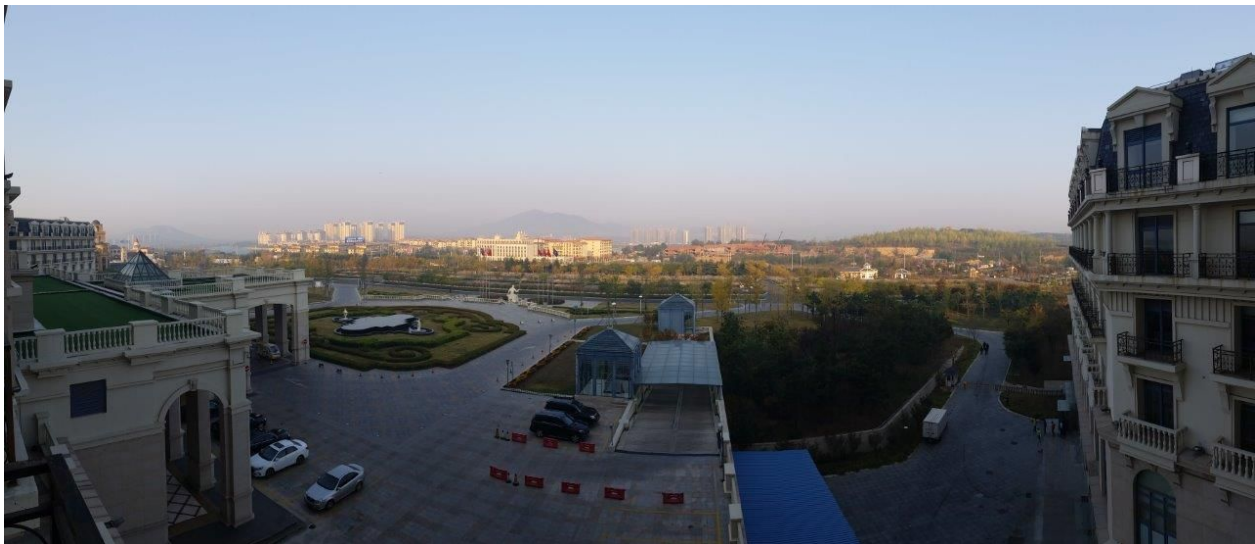


The show has previously alternated between Dalian and Qingdao between years but it looks that it will be permanently situated at the new facilities in Qingdao. One of the visitors we received was seeking interest from companies in participating in a similar show in Dalian. The older convention centres there and in Qingdao are much smaller than this new facility.



The development in the area of the new facility is not yet complete but it is looking like it will be comprehensive. There is a brand new hotel, the Grand Mercure, an ultramodern if perhaps a somewhat behemoth structure right across the main road that reportedly has some 3,000 luxury rooms. There are also a number of other large hotels located and planned based on a development plan for the area as a major destination resort. These will include many holiday homes, more hotels/condos and vastly upgraded transportation links comprising at least in part a new

metro/light rail links to downtown Qingdao scheduled for completion in 2017 and another leg eventually to the Qingdao airport. The whole schema for the place typifies the truism that in China you must go BIG or just go home.



There is evidence of ongoing construction going on in all directions and it will be interesting to see the changes that emerge over the next five years or so in what is still now a somewhat desolate landscape. I say desolate because while there is a lot of construction underway, it also seems each site has only a skeleton crew working suggesting it is going to take a while, and perhaps a long while, for the work to be completed.

We stayed at the Grand Metropark Hotel about 3 km. away from the expo site and so avoided what was reported to be one-way commutes lasting up to about 2.5 hours each way by coach from other hotels in downtown Qingdao. This turned out to be very good decision even though the entertainment options in the area after the show each night are limited. The hotel has been around for probably some 15 or so years and looks like it serves as a fairly high end summer resort/getaway with a family orientation. There are some very nice beaches, some amusement park amenities in an outdoor pool and in adjacent buildings but these are best appreciated in the summertime. This was definitely a shoulder season bonus for them but they handled it very nicely.



Our introduction to the area was not entirely routine as we arrived a day earlier than preferred on Sunday November 1 because the flights into Qingdao from Hong Kong were all full on the 2nd. This is important to us because we must hand-carry samples of uni in with us because it is so sensitive to abuse. Our experience has been that landing with product in any other airport in China will result in the product's seizure. This would of course be devastating to our subsequent marketing and exhibition effort at the show. At any rate, the result was that this year we were the only guests in the hotel on the first night and it struck us all as a bit surreal: something of a cross between Disneyland and The Shining. It was great having a big and very nice, if kind of grandiose and almost entirely empty, hotel pretty much to ourselves but it was also kind of wierd, albeit in an entirely nice way. The staff are really friendly, totally accommodating and cheery.



There was one incident that is kind of telling when it comes to the character of the folks in the area. We caught an “informal” cab ride in a very nice van from the airport to the hotel and arrived at about 4:30 in the afternoon. We disembarked, got all our stuff inside and realized that we had left a bag in the back of the van which was of course now long gone. We had neglected to get any contact information off the driver and the security cameras were not operating around the hotel at that particular time so we naturally enough figured that loss was a done deal and that we would never again see that package. However when the driver eventually found the package, he immediately phoned up the hotel and between them they managed to arrange a transfer at the airport and the package was delivered to us the following day. Seeing that sort of honesty and beyond-expectation kind of effort to make things right are always wholly gratifying and do a lot to restore one's faith and trust in the inherent goodness of people when and wherever it is experienced. We were all very impressed.

CFSE Reception 2015

The Canadian China posts, with the Embassy leading, organized a Canadian Seafood Networking Reception at the Shangri La Hotel in Qingdao on November 3, 2015, the day before the show opened. The event comprised a number of seminars, a networking event and a dinner featuring a number of seafoods from Canada. This kind of reception is common at the CFSE but will be the first hosted by Canada since 2011, when a similar event was held that received positive comments from both Canadian and Chinese industry. In recent years, separate events organized by provinces and industry have created some conflict and confusion among local contacts,

diluting the impact of Canada brand promotion. This Canadian Seafood reception was intended to contribute to the promotion of the Canada Brand in the Chinese market but gave industry access to qualified buyers and market intelligence, and provided media exposure for Canadian fish and seafood. It also provided an opportunity to hear more about JD.com, a significant player in the China e-commerce market which is working with Canadian firms to boost sales through a national online e-commerce promotion.

Seminars



Mr Fan Xubing of Seabridge Marketing Consulting led off and presented an overview of developments in the China market and of the marketing services his company provides to Canadian and other seafood producers operating in China. He identified the transition between importers and distributors as the primary bottleneck holding back brand loyalty and direct consumer demand for Canadian seafood. This may be partly true but the structure of the trade in fact delegates all the sales and branding opportunities to our exporting companies which are entirely different than fishery industry associations like the Pacific Urchin Harvesters (PUHA) and Pacific Sea Cucumber Harvesters (PSCHA). The associations themselves can only promote the products and educate consumers on aspects of the fisheries (eg. sustainable management and

controlled harvest of the resource, science based QA/QC to assure food safety, ongoing innovation to refine handling protocols and procedures to assure a range of high quality, good value products etc.) but they do not have any authority, inherent or delegated, to negotiate or contemplate comprehensive sales agreements as these functions are within the exclusive scope of the exporting companies. Any intrusion into these by the associations has at least some potential to be very disruptive of the good relations within the industry that make the whole thing possible.

That being said, the associations are interested in learning about new and developing sales corridors that offer more effective and direct sales routes between producers and consumers. The focus of much of this evening's series of presentations is e-commerce, something in which China is leading the world. Overall, China's retail sales grew only 10 percent in April and 11 percent in May, some way off the peaks of 15 percent seen at the same period in 2011 and 2012. At the same time online retail sales from January to March were up 41.3 percent year-on-year. It is also projected to grow further to exceed USD 1 Tr by 2019. Online shopping is especially important outside of the big cities where regular stores are thinner on the ground and less accessible to shoppers. 461 million people were shopping online in 2014 compared to 47 million in 2007.

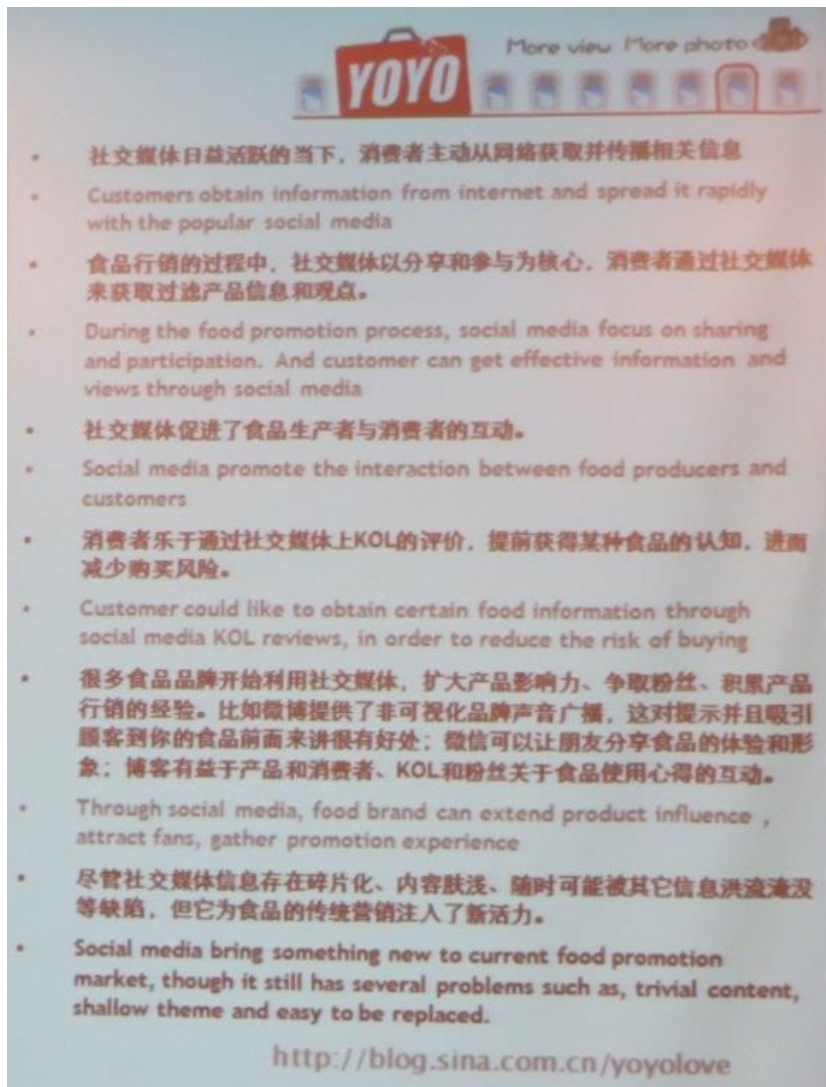
There are at latest count about 650 million internet users in China with about 560 million of these using mobile devices. Some 390 million of them, or about 60%, shop online on a weekly basis. The main demographic is 20-29 years and comprises about 75% women. Overall online sales in China rose from about 461 B RMB in 2010 to 2.76 Tr RMB in 2014, an increase of close to 600%. Consumer to Consumer (C2C) and Business to Consumer (B2C) modalities are currently more or less tied with about 50% of the action but the B2C is growing more quickly.

In short, e-commerce is an area where China excels and it is something that is likely to continue growing in importance because of its inherent flexibility as well as the advantages that come to both sides from the more direct links it offers between customers (consumers) and producers. It is however something that we can only approach in concert with our partners who are the exporting companies in the industry and in this instance it is they who may prove reluctant. Business all over the world is primarily based on relationships between principals and, because loyalty is one of the key ingredients to the maintenance of these, established players are not going to rush to cash in on new untested opportunities if it means jeopardizing their established network connections. They are also generally more interested in positioning their own brand(s), sometimes developed jointly with and even in the name of overseas partners, so subsuming that underneath a National Seafood Branding effort may also be a bit of a hard sell.

Our practice in the program thus far has been to build knowledge of new markets like China and establish venues where we can introduce ourselves and our product(s) to consumers and get some feedback from them as well as provide opportunities to our exporters to meet with new potential customers and make their own determinations on the attractions and potentials of the market(s). This is something that we have seen some success in and it helps as well that we can keep tabs on what developments are coming along so we might encourage other companies to increase their

involvement in new product lines. With the urchins, the primary interest is in the production of live product, something which holds the potential to be highly disruptive in the industry and trade in the not too far future.

Mr. Li Fong Wei provided comments on his company's experience selling in China's developing market. Their company, Haimai, imports seafood and is a retail franchise that provides delivery points and services for goods purchased on line. Their growth is impressive and the company has projected to increase from 12-15 outlets currently to about 600 outlets over the next few years.



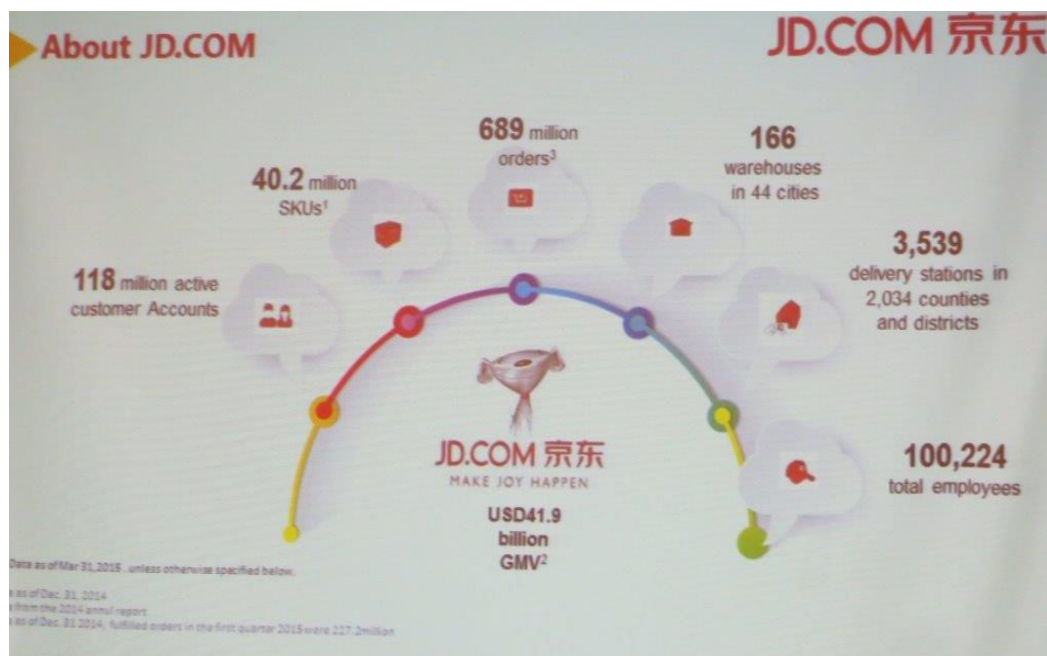
Ms. Yoyo is a popular and influential food blogger in China with upwards of 400 million followers. Her blog (<http://blog.sina.com.cn/yoyolove>) is direct evidence of the power of social media as a marketing tool, although it would seem that she provides the service more for her readers than for the foods she profiles. Social media brings something new to the food promotion market but must be used wisely as it is very easily and too often trite, shallow, trivial and easily replaced. The fact that she apparently gets to travel the world and check out any number of iconic locations and events and get paid for it through her own completely independent efforts makes it even more exceptional. She also cooks, bakes and develops recipes which she then shares

with her readers. In her opinion: simpler is better and the main requirement is high quality ingredients. She wrote one blog on Canada that attracted over 200 million views.



We then had a presentation from a representative from JD.com, an e-commerce company that specializes in Business to Consumer (B2C) trade with strong involvement in seafood and which has launched an on-line Canadian Seafood Festival promotion at the start of the 2015 CFSE. On-line retailers have an inherent advantage over bricks and mortar outlets in that their offerings are not by necessity limited by their available floor space so they can accommodate a wider range of products which can be almost instantaneously searched out using any number of identifiers, including company name, country of origin, vintage, price point, etc., and then, as quickly, selected, ordered and purchased. Any order placed before 11:00 AM will be delivered on the same day while any order after that will be delivered the next day.

The company is premised on efficiency: it considers its customers and suppliers as partners and aims to surpass their expectations right from the outset. Suppliers are assured that the company will have a contract ready to go within two days of a supplier coming to JD with its terms, and then bring product to their cold chain with sales starting within a week of the first introduction. Customers shop with confidence that they have a no-questions asked return/refund policy and assured product quality.



As a result, the company has grown and continues to grow very quickly. JD.com is the largest and the fastest growing B2C e-commerce company in China with more than 118 million active

consumer accounts (ie. customers who have shopped in the last 2 months) and fulfilled more than 689 million orders generating some USD 43 B in sales last year. The company's facilities include 166 warehouses in 44 cities, 3,539 delivery stations throughout the country and 100,224 employees, 80% of which are involved in logistics.

JD considers authenticity from its more than 76,000 third party suppliers as fundamental to its success and its integrity as a primary characteristic of the company. Its business model is based on the trust of its customers and it therefore has zero tolerance for counterfeit items. It sells value based on assured and consistent quality to its customers and employs 6 Quality Control (QC) measures in support of this. The measures include certified QC systems by suppliers, random periodic inspections/audits of QC practices, business qualifications and supply channels and, of course, their no-questions-asked refund /exchange policy. It does not recommend selling products as luxury goods as the inferred prices for such goods are higher than many are willing to pay and sales may well disappoint.

The company is setting up a warehousing and distribution centre in a duty free zone somewhere in Guangdong which can handle both fresh and frozen products and which sounds like it might facilitate duty free imports. It is hard to believe that the government would sacrifice these revenues so it may only be a temporary measure that applies up until the time of sale (retail) through JD.com but even in that case it would reduce the up-front costs of getting product into the Chinese market.



Networking and Reception Dinner



The seminars were followed by a networking event where we met a number of the other Canadian exhibitors and some of the trade commissioners stationed in China as well as a number of buyers and media representatives from China. Most of the business people we met with were more interested in frozen products as opposed to the fresh products we primarily offer. The cold chain infrastructure is developing very quickly in China and there were a couple of cold storage companies at the reception looking for business opportunities. It

did provide a good opportunity to describe the fisheries, the products that come out of them, what a typical operation looks like, and how they are managed for long term sustainability.

We collected and catalogued 13 government and business contacts we met at the reception hosted by the Canadian Trade Commissioners at the Shangri La on November 3, 2015.

Product	Country	City	Business	First Name	Last Name	Company
SU & SC	China	Beijing	government	Bei	Wang	Gov't of Canada
SU & SC	China	Chingqing	government	Coco	Wen	Gov't of Canada
SU & SC	China	Xiamen	government	Liu	Xin	Gov't of Canada
SU & SC	China	Shanghai	government	Claire	Zhu	Gov't of Canada
SU & SC	China	Chengdu	government	Ricky	Qian	Gov't of Canada
SU & SC	China	Xi'an	government	Corrine	Wang	Gov't of Canada
SU & SC	China	Beijing	marketing consultants	Zhang	Ran	Beijing Seabridge Marketing and Consulting Co. Ltd.
SU & SC	China	Xiamen	e-marketing	Tony	Tang	Xiamen Base mall E-commerce Co. Ltd.
SU & SC	Canada	Richmond	transport	Krystal	Harnett	Flying Fresh Air Freight
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SU & SC	China	Xiamen	commerce	Yonick	Jiang	Xiamen Citi-base Commerce Co. Ltd.
SC	China		distributor	Tiange	Wen	Familiar Foodstuff



Following the networking event there was a dinner featuring a number of Canadian sourced seafoods including sea urchin, sea cucumber, lobster, geoduck, salmon, cod, whelk and prawn. The sea urchin dish that was served was not apparently on the menu because the product was difficult to find and even when it was found it was, at about \$ 400 per kg, deemed too expensive to actually include in the dinner. We got around that by getting a donation of product from Grand Hale Marine Products of Richmond BC.

The creation that came out of it was interesting: it looked like a creme brulee with a piece of uni centred on top. It was very tasty and pretty much a hit with everyone at our table even though a number had never seen anything like it or even tasted uni before. The sea cucumber dish (scrambled egg and sea cucumber) was on the other hand a bit less exciting, although still tasty and pleasant.



One possibly interesting piece of trivia that emerged when researching the menu, a second dish featuring the geoduck was mis-labelled on the menu as Boiled rice soup with *Panopea abrupta*. According to Wikipedia, that particular clam is actually an extinct species that was identified back in the mid-1800's and which, while related to *Panopea generosa*, the modern day Geoduck clam, it is distinct from it. Still, using a moniker suggesting that the clam is thought to be extinct may have a certain marketing cachet to it in China.

Show report

To characterize the show, it is the largest such show in Asia and this was our 7th year exhibiting at it. As mentioned, the show this year was held at a new and much larger venue built on the outskirts of Qingdao. There were some transport issues as the commutes from and back to the



city centre took up to a couple of hours each way but other than that the show went off without a hitch. We were again part of the Canadian Pavilion and located right across the aisle from the BC booth so had very handy access to the resources and assistance available through the BC government folks as well.



The Canadian pavilion was situated right at the entrance to show - a premium spot with a substantial footprint and good design that attracted a lot of traffic. It is worth recalling that old adage that business success depends on three things: location, location, location. This seems to apply in this case as well as reports came in from other halls even on the first day that there were times you could hear a pin drop. That was definitely not the case at our location where there was lots of traffic right off the start with pretty much a continuous deluge of visitors throughout the whole day and indeed the whole show.

This was a wee bit of a surprise as our usual routine of setting up our booth the day prior to the actual opening did not work out as we expected because they were so far behind on the show setup. When we arrived around 1030 to make sure all was there and etc., there were no carpets, information counters, tables, chairs, TV's etc. and it seemed they were about a full day behind. We had ordered a mural this year to replace the roll-ups that we usually display. The saved money on the extra baggage fees to Qingdao more or less paid for it and of course being mounted on the wall it took up much less space, an important consideration given that we were restricted to a standard 9 square metre booth.

Reports continued coming in right up to about 2100 that night indicating that there was no change on the ground but somehow, much to our relief, they managed to pull it off. Things were looking pretty much ready to pull together as soon as we arrived at 0915 on opening day. We managed to get setup in short order which was a good thing as the crowds were steady and we were always busy from that point onwards. We also found that using the frozen high grade product from Grand hale for our display simplified matters because we did not need either a partition to separate the refrigerated and frozen sections and did not have to periodically plug/unplug the display freezer to maintain the appropriate temperature distribution.



We did however give ourselves a bit of a break this year on the sampling side. We simply passed product over to the Chef in the BC booth, Nathan Fong, so he could prepare dishes at his discretion. Various creations, such as uni in scrambled eggs with dill, salmon with uni, uni and ikura pasta (my fav), sablefish, shambahbah (geoduck) sashimi and soups, prawns and a whole whack of other fusions with a range of ingredients emerged from his kitchen throughout the show. He did not request any sea cucumber meats or skins but it might be a good idea in future to let him know it is available beforehand so he can research options beforehand.



Another indulgence that we fell into this year also worked very much to our advantage. We ended up ordering up two interpreters for the show this time around. Pat Fantillo from RBS needed, or at least wanted, a dedicated interpreter and had one accompany him from Canada in previous years. This year he thought it a good idea to get one from the show and it turned out to be a major improvement for all of us. Our two interpreters, Lynn and Lucy, worked together when they were both in the booth and independently when one or the other was away and, once they had learned the appropriate answers to the questions posed, basically handled probably 75% of the inquiries all on their own. They were a highly capable team and kept things moving along which allowed the rest of us to more effectively use our time meeting and talking with customers, buyers and other players. Having two interpreters turned out to be a very good thing and should be given due consideration at upcoming shows where they might be needed.



We collected and catalogued contact information from 102 visitors to the booth this year. This was our best ever total at this show and is quite likely a reflection of the excellent location of the Canadian Pavilion. The sea urchins also seemed to generate a bit more interest than the sea cucumber based on the numbers of declared interests although again there were many interested in both products as opposed to one or the other. Traffic was again heaviest on the first day of the show pretty light on the last day, as seems to be the normal way things roll at these sorts of events.

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Avg Score	7.39	5.92	5.69	5.12	4.84	5.20					

The average score for each year is derived from an admittedly somewhat subjective gauge of the quality of each person we qualify. I say subjective because while I encourage everyone talking to a visitor to collect as much information on who they are, what they and their company do, which product(s) they are interested in etc, the information actually collected is sometimes kind of sparse. Once the information and the cards are catalogued, the additional step of qualifying and assessing the information gathered from the conversation, on the card and found through internet searches and website checks is used to develop a score for each person. These are then averaged for each day and year and listed on the table as above. This is an evolving process but it is interesting that the apparent score seemed to appreciate this year in contrast to the past two years.

Contact information gathered on Day 1 of the 2015 CFSE: (November 4, 2015)

Product	Country	City	Business	First Name	Last Name	Company	Score	Comment(s)
SU duck	China	unknown	unknown	unknown	unknown	unknown	1	QR code invalid
SU (fr)	Korea	Seoul	trader	Song	Kwan-Suk	Global Ocean Fishery Ltd.	6	100 g trays frozen, chatted with Francis
SU & SC	China		packaging			Jinri Packaging (Jinruliaobaozhuang)	3	
SU	China	Chingqing	trader	Yun Chuan	Zhang	Chingqing Mailun Trading Co. Ltd.	6	wants frozen uni
SU	Taiwan	Taipei (?)	distributor				2	looking for cheaper price for RSU
SU	China	Hong Kong	distributor	Jessie	Lam	Amerasia Trade Co	7	
SU (Live)	Canada	Vancouver	international trader	Crystal/Andre		Providence Seafoods Inc.	7	start 500 kg. per week/ LD 33/ 3 gels/ sponge
SU	China	Qingdao	Traders	Shouzhong	Lai	Qingdao HaiQiHui Aquatic Food (Group) Co. Ltd	6	
SU (Live)	China	unknown	trader	Cai	unknown		2	
SU	China	Shenzhen	Import/Distributor	Martin	Xu	Shenzhen Pengcheng Marine Products Co. Ltd.	7	looking for 5 cartons a week
SU & SC	China	Qingdao	hotelier	Raymond	Pang	The Lalu	7	chef also came by to enquire on product
SU	Japan	unknown	unknown	unknown	unknown	Yujitao	2	looking for 1,000 lbs of live greens/day
SU	China	Shanghai	distributor (?)	Richie	unknown	Shanghai Deshan Industrial Corporation Ltd.	5	looking for 2-3 cartons/week depending on price
SC	China	Wuhan	Traders	Anming	Yang	Yihaida International Trade (Wuhan)) Co. Ltd.	6	Wuhan is a new city/area to check out
SU	USA	Elizabeth, NJ	distributor	Sang-Won	Lee	True World Foods	8	worried about shortage coming out of CA, looking for substitutes
SU & SC	China	Beijing	Certification MSC	Yue	Hao	Marine Stewardship Council	5	
SU & SC	China	Dalian	Traders	Xiaoqin	Wang	Dalian Jinshuo Int'l Trade Co. Ltd.	6	
SU & SC	China	Dalian	Traders	Martin	Xing	Dalian Jinshuo Int'l Trade Co. Ltd.	6	same company as above
SU	Peru	Tacra	producer/processor	Francisco	Vera Valdiva	Propesur Inc.	6	produces urchin etc in southern Peru- wants to talk about cooperation
SU & SC	China	Beijing	import/distribution	Wincent	Jia	Beijing Golden Harvest International	7	gets SC and frozen uni from Iceland, 5 restaurants
SU (fr)	UK	London	trader	Bongjin	Jung	Sun Ocean Ltd.	7	wants frozen for off season, currently buys fresh
SU & SC	China	Dalian	producer/importer	Chu	Xuejun	Dalian Qianri Sea Food Co. Ltd.	6	
SU & SC	China	Xiamen	commerce	Joe	Yao	Xiamen Citi-base Commerce Co. Ltd.	3	very recently registered domain name, see CFSE2015_1103_12
SU & SC	China	Dalian	producer/importer	Chu	Xuejun	Dalian Qianri Sea Food Co. Ltd.	6	copy of 1103_22
SU (Live)	China	Shanghai	distributor	Michael	Gu	River Cottage Shanghai	7	they have 10 hole RSU tray on webpage product list
SU & SC	China	Jilin	regional investment	Boshi	Zhang	Sino-Singapore Jilin Food Zoner Dev't & Mngt Co. Ltd.	4	
SU & SC	China	Xiamen	importer	Ellen	Wu	Xiamen Gulong Imp & export Co. Ltd	5	
SU & SC	Taiwan	Kaohsiung	importer	Evie Ming Chun	Tsai	Lung Soon Ocean Group	6	mainly sardines from WA state, now apparently looking for new products
SU	China	Shanghai	restaurateur	mark	Klingspon	The Nest	7	wants urchin but needs to find an importer to work with
SU & SC	China	Qingdao	logistics	Eva	Zhang	CN Worldwide	3	looking for frozen product to help with
SU & SC	Canada	Richmond	freight forwarder	Bo	Zheng	Hap Trans Holdings Ltd.	5	
SU & SC	China	Guangzhou	import (?)	Tongla	Song	Guangzhou Shishan...	3	general seafood sales
SU & SC	China	Yantai	trader	Andy	Bai	Yantai Enyang Int'l Trade Co. Ltd.	5	also has processing plant
SU & SC	China	unknown	trader	Terry	unknown		4	
SU (Live)	China	Shanghai	live import/distrib	Echo	Ji	Shanghai GFresh Internet Commerce Co. Ltd.	8	currently imports Dungies and ducks and would like try live urchin
SU	China		restaurateur	unknown	unknown	Dragon Kings Palace Royal	3	domain is "for Sale" looking a bit dodgy
SC	China	Shenyang	Traders	Qingyun	Liu	ShenYang QingYun Aquatic Products Co. Ltd.	4	www address does not work
SU & SC	China	Qingdao	distributor	JR	Lai	Qingdao HQH Seafood	3	
SU	China	Shanghai	Traders	Chen Che	Han	Shanghai Laurel International Trade Co. Ltd.	6	inconsistancies on home page- wrong company name
SU (Live)	China	unknown	unknown	unknown	unknown	unknown	3	only written in simplified script so...
SU & SC	China	Beijing	Import/Distributor	Bob	Ma	AAA Seafood (Beijing) Co. Ltd.	5	
SU & SC	China	Shanghai	Traders	Forrest	Zhou	Shanghai Jihuitang International Trading Co. Ltd.	6	
SU & SC	China	Qingdao	restaurateur	Bertrand	Combe	The Lalu	7	website not working any more
SU & SC	China	Shanghai	trader	Darcy	Dong	Shanghai Jian Trading Co. Ltd.	6	
SC	Singapore	Singapore	trader	Bernard	Yong	Transmex Trading PTE Ltd.	7	
SC	China	Dalian	Traders	Song	Hua	Dalian Yutang International Trade Co. Ltd.	5	
SU & SC	China	Beijing	retail (supermarket)	Tian	Qingyun	Beijing Easyhome Investment Holding Co. Ltd.	6	
SC	China	Hong Kong	trader	Khaled	Chaabouni	Leo-Progress International Ltd.	5	
SU (Live)	Canada	Vancouver	international trader	Crystal		Providence Seafoods Inc.	7	repeat: see CFSE2015_1104_07
SU & SC	China	Qingdao	trader	Bingsen	Li	Newfound Resources Ltd.	5	Newfoundland production company- mainly shrimp

Contact information collected on Day 2 of the 2015 CFSE (November 5, 2015)

Product	Country	City	Business	First Name	Last Name	Company	Score	Comment(s)
SU	China	Shenzhen	distributor	Edward	Zhang	Shenzhen Lianrui Co. Ltd.	7	QR/url may or may not be real - comes up tencent but invalid
SU & SC	China	Zhongshan	import/distribution	Bai Chao	Xu	Zhongshan Foodstuffs & Aquatic Imp & Exp Co. Ltd	6	visited GHMP
SU & SC	China	Zhongshan	import/distribution	Jingqiu	Huang	Zhongshan Foodstuffs & Aquatic Imp & Exp Co. Ltd	6	same co as previous contact
SU	China	unknown	unknown	Jia Xian	Jia	World Seafood	3	looking for vids- confirmed that copies available off website
SU & SC	China	Harbin	distributor	unknown	unknown	Qingdao QH	5	
SC	China	Shenyang	distributor	Renhao	Feng	Renhao Seafoods Co. Ltd.	6	
SU	China	Shanghai	trader	Lin	Zhang	Shanghai Uniquepaver Trading Co. Ltd.	4	no cards- just filled in blanks
SC	China	Beijing	import/distribution	Wen hui	Lin	Beijing Rongqiao Seafood Co. Ltd.	6	have a range of products and also production/processing plant(s)
SC	China	Dalian	herbal medicine	Xianjiu	Yang	Beijing Tong Ren Tang Health (Dalian) Seafoods Co. Lt	6	looking for some cukes as herbal remedies
SC	China	unknown	unknown	unknown	unknown	unknown	3	card all chinese
SC	China	Qingdao	trader	Ming	Yang	Ming Yang Sailing	5	QR code just brings up email client- no website
SC	China	unknown	trader	Yuan	Qing	unknown	4	again- no card
SU	China	unknown	trader	unknown	unknown	Yisushi	5	card pretty much all Chinese, but nice design on it
SU	China	unknown	distributor	Chang Qing	He	Canghaixuri	4	QR/ url may or may not be real - comes up tencent but invalid
SU	China	Beijing	distributor	Zhu Ming	Wu	Beijing Changrongyongsheng Shuichan Co. Ltd.	5	looks like there is some Japanese-style writing on card
SC	China	unknown	unknown	unknown	Zhang	unknown	3	no cards- just filled in blanks
SU	China	unknown	unknown	Du	Li	unknown	4	
SU & SC	China	Gaomi	food importer	Johnson	Jiang	Shandong Taihua Food Co. Ltd.	6	some embellishment on website- couple pictures of trucks look shopped
SU	Korea	Seoul	distributor	Jae Jun	Park	Asian Kitchen Group	8	has 35 retail outlets, incl. restaurants. Affiliated with Atlantic Union
SU	Singapore	Singapore	import/export	Adam	Yoon	Atlantic Union Pte. Ltd.	7	incorporated in Singapore on 24 Mar, 2015- new company
SC	China	Qingdao	distributor	unknown	unknown	Qingdao Five Colours Five tastes Nutritious Food Co. L	6	looking for skins and whole cooked
SU	China	Shenzhen	import/distribution	Angela	Yang	Shenzhen Yinyunda Trading Co. Ltd.(?)	6	asking about live RSU & GSU; webpage = Shenzhen DigiLogistics Trade
SU (Live)	China	Shanghai	Traders	Xiaofeng	Zhang	Shanghai Fengyan Trade Co. Ltd.	7	looking for live RSU . nice website, lots of crustaceans
SU	Canada	Vancouver	restaurateur	Zhao hui	Zheng	Shotamuni Restaurant	8	v. obscure card/website. Google translate no work,
SU	Canada	Vancouver	restaurateur	Zhao hui	Zheng	Shotamuni Restaurant	8	side 2 of previous card: note Davie and Denman locations
SU & SC	China	Dalian	show organizer	Eric		Sanxuan Media	4	organizer looking for interest for CFSE replacement in Dalian
SC	China	Beijing	trader	Xiang Ren	Weng	Beijing Yuan Xiang Gang Trade Co. Ltd.	5	
SC	China	Hong Kong	trader	Jenny	Pun	Billion Seafood	5	
SU	USA	New York	distributor	Sandy	unknown	Chaaya Group (NY & HK) Inc.	7	4 outlets: 2 NY & 2 TX, Co. name other side of card = Taiyo Seafood NY
SU	China	Foshan (Guang)	retail (duty free)	Winson	Tan	Foshan Sky Bright Ecostar Commodity Co. Ltd.	5	actually appears to be a plastics manufacturer; QR code not working
SU & SC	China	unknown	government	Shaoming	Feng		3	wants to visit to generate business
SU & SC	China	Hangzhou	government (Canada)	Celina	Lou	Gov't of Canada	6	
SU	China	Guangzhou	trader	Crystal	Wong	Guangzhou Rich Sum International Trading Co. Ltd.	7	range of products incl. fresh and frozen imported meat and seafood
SC	Canada	Brossard (QE)	producer/exporter	Lory	Wang	Arctic Food Group Canada Inc.	5	looking for some BC products
SU	China	Dalian	trader	Jean	Su	Dalian Ocean International Trading Co. Ltd.	6	
SU	Japan	Kyoto	Traders	Naoki	Kaneko	Ocean Trading Co. Ltd.	7	visited back in 2009 (trip report on website- see pg. 17)
SU	Japan	Kyoto	Traders	Orie	Yamada	Ocean Trading Co. Ltd.	7	as above
SU	China	Fushan	retail (seafood)	Derwin	Wong	Ocean Fresh	7	Guangzhou suburb, mainly live oysters, int. in fresh and froz urch, l8r live
SC	Australia	unknown	distributor	Danial	Leung	Global Clan seafood distributor	3	no geo-ref info on card

Contact information collected on Day 3 of the 2015 CFSE (November 6, 2015)

Product	Country	City	Business	First Name	Last Name	Company	Score	Comment(s)
SU & SC	China	Beijing	marketing consultants	Fan	Xubing	Beijing Seabridge Marketing and Consulting Co. Ltd.	5	set up UHA program some years back, many Canadian clients
SC	China	Beijing	import/distribution	Wen hui	Lin	Beijing Rongqiao Seafood Co. Ltd.	6	repeat visit - see CFSE2015_1105_08
SC	China	unknown	unknown	unknown	unknown	Xiaohongshuichan	2	card mostly Chinese
SC	China	unknown	unknown	unknown	unknown	unknown	3	coming to Canada & will change our world- altho website doesn't work
SC	USA	Kent (WA)	producer/exporter	Shu Yan	Johnson	Alki Seafood	5	looks like competing exporter in the US, maybe wants catch though?
SU & SC	China	Beijing	government (BC)	Jaenny	Zhai	Gov't of BC	6	Int'l Trade and Investment office
SU	Thailand	Bangkok	trader	Nuthaya	Songchaikul	Iceus Overseas Trading Co. Ltd	6	
SC	China	Qingdao	unknown	unknown	Han	unknown	2	basically no info provided
SU	UAE	Dubai	show organizer	Khalid	Al Fahim	Dubai World Trade Centre	3	says urchin has a lot of potential there
SU	China	Qingdao	distributor	William	Guo	Fortune Seafoods Inc.	5	uni would be new for this co., apparently deals in frozen, also exports
SU	China	Qingdao	distributor	Cherry		Qingdao Spring Food Co. Ltd	6	
SC	China	Qingdao	trader	Steven	Sun	Oceanfreinds International Trading Ltd.	3	site does not exist on alibaba so lose 2 grade points
SU & SC	China	Qingdao	agent (?)	Nana	Ning	Qingdao Moon Seafood Products Co. Ltd.	5	looks like producer/exporter of Mexican seafood
SU	China	unknown	unknown	unknown	unknown	unknown	2	not much offered

At any rate, aside from assessing the visitors, the same basic patterns in numbers of visits were seen in the numbers of brochures given out at the booth although the differences between the first two days are more pronounced. These numbers are generally higher because some folks just grab what they can and then move along without talking to anyone. We did not distribute or indeed bring along copies of our association DVD's for the simple reason that the censors require copies be submitted some substantial period before the show so they can review and authorize their use. The two copies of each that we brought along were backups in case our preferred method of using copies on a memory stick did not work. There was some concern expressed that bringing along more copies might attract extra scrutiny coming in through customs that might put more of our display materials at risk of being caught and lost in the process.

Item	Requested	Supplied	Plus	Day1	Day2	Day3	Total Used
PUHA DVD #1 (Mandarin, Cantonese + English)	0	2	0	0	0	0	0
PUHA DVD #1 (Japanese + English)	0	2	0	0	0	0	0
PUHA DVD #2 (Mandarin)	0	2	0	0	0	0	0
PUHA DVD #2 (English)	0	2	0	0	0	0	0
PUHA Brochures: traditional*	0	0	0	0	0	0	0
PUHA Brochures: simplified*	250	250	0	135	80	35	250
PUHA Brochures: English	150	150	0	70	70	10	150
PUHA Brochures: Japanese	25	25	0	0	0	0	0
Uni samples (grams)	3,000	3,000	0	600	800	400	1800
Smoked salmon (g)	0	0	0	0	0	0	0
PSCHA Brochures: simplified	250	250	0	93	62	34	189
PSCHA Brochures: English	150	150	0	28	22	20	70
Company Brochures		75	0	75	0	0	75
B'cards (500 for MF, DM, Seagate)		unknown	0	not	tracked		
Pens	50	175	0	25	40	35	100

The 2015 China Fisheries and Seafood Expo (CFSE) was considered a resounding success by the organizers as they again set a number of records. Exhibit space was up by 20% to 30,800 m² as almost 1,400 companies from 46 countries participated. The number of visitors also rose by about 10% to just under 28,000. With the exception of the transportation time from downtown Qingdao, exhibitor feedback about the new site was positive. As the city of Qingdao completes several road construction projects, transit times between the city and the Expo Centre should decrease by next year although they are behind schedule on both the downtown metro and the light rail to the Expo site meaning the projected 30 minutes via these modes will not be realized next year.

In spite of China's economic growth slowdown, demand for seafood remains robust. Even if seafood consumption stagnates in other parts of the world it looks like China's is in for a long period of sustainable growth. Consumption of some seafoods grew by 30% or more in the past year and is projected to stay on trend for the foreseeable future.

The organizers feel this is supported by the continuing growth of the show and feel that another annual size increase of 20% for the show after 20 years is pretty phenomenal. They have already been fielding requests from exhibitors to increase their space next year and are anticipating moving some exhibitors and even pavilions around to accommodate changes. The Canadian Pavilion was the largest national pavilion at the 2015 show. It also arguably had the best location

possible, situated right at the entrance to the first International Hall. The Expo Site is a great facility and provides a lot of space to keep the show growing in the future. The show next year is again slated for the new Qingdao centre as it is the only facility in either Qingdao or Dalian sufficiently large to accommodate the show.



Update on China

China is targeting the 100th anniversary of the Communist Party in 2021 to become a comprehensively well-off society. Given this as characteristic of the unabashedly optimistic outlook for trade with, and the continuing development of, China, I feel compelled to provide a bit of reality check because, unfortunately, the news from that part, like I suppose many other parts, of the world these days is mixed and even kind of discouraging.

There has been a lot of talk lately about whether the extraordinary era of growth in China might be coming to an end and appended to this is another worry that a so-called hard landing in China could now rival an American Depression. It is possible that the stock market collapse witnessed this past summer (2015) in China is signalling the start of a financial crisis. Stocks have continued falling through at least late November 2015 as investors have dumped equities on mounting fears about Beijing's crackdown on stock speculation and continuing signs of economic slowdown. Rising asset prices have been covering up bad debts but this may now be ending, in which case there is a not-bad chance that deflation will take hold. If they follow Japan's lead, the government will find new ways to roll over debts so more and more "zombie companies" populate China's economy.

It seems that a lot of this fear might be related to a herd mentality as it only took a couple of soothing comments from a major company (Apple) to turn a stock market rout around that was affecting stock and commodities etc. markets around the world. Also in the reassuring column is that for the most part economic fundamentals in China are in apparently reasonable shape. The labour market remains tight and looks to continue as such because China's labour force is, however surprisingly to some, declining. In addition real estate prices have stabilized, the service sector is growing quickly, retail sales remain strong and the government is still running a fiscal surplus. Taken together this means that while the rate of growth is likely lower than official figures, authorities on the matter, including the Economist Magazine, feel that a hard landing is unlikely in the immediate to near future.

There are however some worries about longer term trends, including an overall debt to GDP ratio of 250% (doubled since 2008), declining factory gate prices throughout much of Asia, and a declining workforce being the main ones. Of some concern as well is what is going to happen when the Fed in the US starts raising interest rates. The cascading effects on the developing world of declining revenues from the commodities they sell coupled with the rising costs of servicing USD loans may be significant. This includes some companies in China which are financed through opaque offshore arrangements. There are also lingering concerns about the government's ability to implement necessary reforms and effectively manage its increasingly complex economy in the face of, amongst other things, unintended consequences arising from, as well as rising resistance to, the ongoing anti-corruption campaign.

One might ask if there is any substance to these worries. Well, Beijing again eased policy by cutting benchmark interest rates by 25 basis points last week (November 27), marking the 6th successive cut since November, and its reserve requirement ratio by 50 basis points marking the 4th cut this year. They are also embarking on a new program to try and jumpstart growth. They are lowering taxes on business, reducing red-tape and freeing up labour, land and capital markets to help revive the economy by boosting output and employment. These are considered supply-side measures and it is hoped they will work in China as a similar approach characterized by broad-based tax cuts and government deregulation under Ronald Reagan worked in the 1980's. Whether or not it will work remains to be seen but it at least suggests that China's leadership is taking the risks to growth seriously, especially since the headline GDP growth declined to 6.9% in the latest quarter, which again is the lowest quarterly showing since 2009. Others are similarly looking at China and wondering which way it is going to go.

Growth in China has slowed in the past few years as the country has focussed on reorienting growth from investment to consumption, although by how much is difficult to gauge. Most analysts are sceptical of the economic growth and output data from China's National Bureau of Statistics which are suspected to owe more to political expediency than on-the-ground reality. The bright spot has traditionally been customs data which enjoys a reputation for being timely and relatively accurate. However, even here there are now also likely problems, partly because of overstatements as a means to move money out of country but also because of a tendency by

subordinates to please superiors by figuring out and telling them only what they want to hear. There are some commentators who believe growth has fallen to below 5%, perhaps even to 2 %, but these numbers also seem a little extreme.

Manufacturing is taking a hit because of the condition of international demand for those goods and investment in factories, infrastructure and residential property has slowed. There is still lots of construction going on from what we have witnessed, however the pace at each site also looks to be less feverish with fewer workers than in the past when several hundred workers would generally be seen scampering about. The slowdown in investment and construction is having knock-on effects around the world as commodity prices have declined by about 40% since peaking in 2011. It is particularly hard on countries producing commodities and driving some into recession even as they are dealing with changing capital and investment flows in anticipation of the US Federal Reserve raising interest rates. The continuing problems in Europe are also feeding into a general feeling of malaise and the general tenor of discussions just about everywhere seems to see people and organizations expecting or perhaps just planning for continuing “disappointments”. I believe it was Abraham Lincoln who pointed out that people are generally about as happy as they want to be and it seems that they are not what you could call “upbeat” these days.

In China’s case, breakneck urban growth has supported the country’s rise over the last 3 decades. Migration from the countryside has seen the urban population grow by over 500 million over that period. This translates to an average increase of some 16 million people per year, a scale almost incomprehensible from the confines of somewhere like Canada with a total population of less than 40 million. The pace of change is wearing on people there- they are questioning the changes and having trouble reconciling them with their quality of life expectations etc. However it is also worth recalling that China was still experiencing severe deprivation, up to and including periodic and widespread starvation into the late 1970's because of the Cultural Revolution.

They have come a long way but, as is the case around the world, sprawl is a common feature of many of China’s cities. In their case, it hard to address because they are still hostage to centralized planning and a myriad of attendant bureaucratic inefficiencies holding back effective integration of required infrastructure elements, e.g. infrastructure development, including roads, subways, bus routes, railways, hospitals and schools etc., that make places attractive and rewarding places to live.

There have been a number of reports lamenting the misdirected investment into “ghost cities” and the like over the past few years. These as well may be a bit overblown because of the scale of urban migration. They are not done yet and the country remains committed to moving another 150 million people into its cities over the next 10 years or so. In fact, one of China’s top urban planners maintains that China needs 10 more mega-cities, (defined as having a population of > 10 million) and they should be built within 5 years. These new cities will shift focus away from the 6 megacities they already have and that are saturated, Beijing, Shanghai, Tianjin, Gunagzhou,

Chongqing, Shenzhen, and allow quality of life improvements. When looking at the pace of building they are talking about, it only makes sense that the infrastructure to support another 15-20 million people, which is basically half of the Canadian population, every year cannot be built instantaneously and that a bit of inventory first might be unavoidable in the interim.

It may be somewhat reflective of hardships expected and experienced at home but Chinese people are, and have been for some time, among the hardest working and most efficient in the world. Virtually everyone who can, is working; overtime is ubiquitous and even retirees look after their grandchildren so their daughters can work, although to be fair in many cases that is also because they have no other choice. China's system wastes resources massively, mostly for the purpose of enriching a few. The President of China, Xi Jinping, is promising judicial reform that will help him “cage power” and is taking steps to promote that, but his dream of implementing Rule of Law for all can only so far without restraining Party influence on the process, something which has not been openly proposed or discussed. Theirs’ is still a system where loyalty trumps honesty and power subverts process and fairness and it is probably this that casts the longest shadow over the destiny China is going to realize down the road. One prominent business person who thought China would pose a challenge to Western firms’ dominance has stated that he changed his mind while working in Chinese enterprises. They are “badly managed, decaying from political infighting and cook the numbers on everything imaginable.” This seems to be a pervasive problem through their entire business and political culture and it is therefore not something that is going to be easily excised by a campaign that does not address some very basic assumptions underlying the prerogatives of power.

The rapid economic and social change in China in recent decades has led to an increase in individualism which can be seen on the streets and in the word choices of Chinese authors. This is occurring in concert with growing urbanism, increasing wealth and higher levels of formal education and the socio-demographic shifts are driving cultural and psychological changes that are probably inherent in the human animal. Young people especially will naturally try to differentiate themselves from their competitors in the mating game and there are in fact, similar findings on values in other areas where the populations are urbanizing. In this case, China’s millennials have grown into a somewhat independent thinking bunch and present views that challenge authorities. This is something that we expect of young people in the developed world but it is pretty much brand new in authoritarian China.

These changes in attitude have been apparently strengthening since around 2007, a period that coincides with the growth of the social media in the country. Knowledge of censorship in 2007 was widespread and its necessity was still widely accepted, however that has changed since Weibo has grown into the pre-eminent social media platform in China. This evolution was facilitated by government blocking of both Facebook and Twitter, but the unintended consequences include the appearance of images of the harsh realities previously hidden by censors, things such as land grabs, corruption, substandard construction of public facilities - including schools that collapse in moderate to strong earthquakes, tainted food and forced

abortions and the like, right on to people's mobile devices. This has similarly led many to rethink their unquestioning loyalty to and belief in the Party, government and country and to become more vocal critics of at least those injustices they are now able to witness.

There also seems to be a bit of a problem because of a demonstrated and growing inability of the economy to accommodate the rising numbers of well educated graduates emerging from the university system. Job prospects for many of the 7.5 million who graduate from one or another university program each year are declining, meaning these degrees no longer confer the same status on the graduates. By not providing a way to satisfy their rising expectations, young people are expressing increasing dissatisfaction and disaffection with the status quo. This generation did not experience the horrors of the Cultural Revolution firsthand and so do not have the same instinctive fear of moving outside social boundaries, strictly defined and enforced by government, as their elders.

It should be no surprise that young educated people in China, like young educated people just about everywhere, are getting more independent, bolder and outspoken and more intent on holding authority, including centralized government authority, to account. This is something that is anathema to the Chinese government. It may be somewhat ironic though because these are often their own kids and they are not entirely sure how they should deal with it. Despite being quite possibly dangerous in an authoritarian environment, this development does reflect parallels seen in other societies and likely signals an inherent convergence as people's world view broadens to encompass our world as it is, as opposed to how others would have them see it. This is likely to provoke massive change in Chinese society, perhaps even as much as the boomer generation did in the west, but questions remain as to whether the transition(s) can be eased in without causing an excessive backlash by the established order.

Premier Li Keqiang, a highly capable leader with a PhD in Economics, has been steadily winning praise for stewarding the economy from behind the scenes. Li's economic philosophy was built on three pillars: liberalisation of key prices, including interest and exchange rates; elimination of entry barriers and red tape; and deepening of reforms. In the past two years, start-up registrations have soared; last year, up to 10,000 new businesses were registered each day - a 50 % increase compared with 2013. These changes are revitalising an economy that used to be dominated and stagnated by State Owned Enterprises (SOE's)

The main goal of these and other reforms is to transform China into an innovative society and a "knowledge economy" society but until and unless China relaxes its "draconian" political controls, the class of creative free thinkers underpinning it will never gain the requisite critical mass. Unfortunately the political system itself is increasingly being seen as an impediment to China's needed social and economic reforms. This has contributed to the feeling that, despite appearances, China's political system is badly broken.

The Communist Party knows this but is hoping that a crackdown on dissent and corruption will shore up its rule. However the jury is still out on how effective or well targeted it will be and part of the conundrum is that the effect of the campaign will depend upon its execution. Periods of great change in all human societies are generally accompanied by the rise of some degree of corrupt behaviour, especially when effective regulatory oversight is not available. The problem of course is that while corruption apparently greases the wheels of deal making, it also leads to greater mis-allocation of resources, the spread of justifiable social grievances and reduced private investment. Past anti-graft campaigns around the world have had short term negative effects on growth but countries that maintained a stronger stance on corruption also tend to have higher incomes. The long term effectiveness of the campaign will be interesting to watch in China as it is a special case: it retains a closed authoritarian system with few checks and balances other than a punitive regulatory body which answers only to the Party or more explicitly, to various feuding factions within it. It also still has no independent review or oversight as is provided by an independent judiciary and/or a free press etc as is the case in more open countries.

Whatever the rationale, the impact of the campaign on China's growth rate is becoming more of a question as more officials are removed from positions of influence and even private businessmen are coming under scrutiny. Projects are withering on the vine and the whole process is leading to further retreats from risk as other officials and businesses hunker down to avoid attracting the attentions of those whose reputations are being built on which and how many prominent people are brought down. A chill has crept into many sectors: karaoke bars, hotels, restaurants, gambling destinations, travel, investment etc. and the government has had to confront claims that the campaign is directly and negatively impacting the country's growth prospects. Of some comfort perhaps is the prospect that if China's economy is actually a house of cards as some contend, the country's claim to economic superpower status will soon be exposed as hollow.

The party's Third Plenum a couple of years ago unveiled a huge package of proposed economic reforms which have so far not accomplished much of note. Many of these reforms challenge deeply entrenched and powerful interest groups, including state-owned enterprises and local party cadres, many of which are plainly and deliberately blocking its implementation. Some commentators have noted that it is interesting that the full force of the anti-corruption campaign has only come to the fore since the reforms were revealed which has led to speculation that an end game to the rule of the Chinese Communist Party has now begun, one which has actually progressed further than many think. It will be hard to settle on one side or another of this for some time since those inside the system will continue playing along until it begins to unravel in some obvious way, thus contributing to a facade of stability which we can only take at face value.

As it stands, the government has intensified its censorship of the internet, rendering popular portals and sites all but inaccessible. It has also cracked down on its critics: prominent human rights lawyers have been jailed and they have forced universities to dismiss professors for espousing "seditious" ideas such as constitutionalism. In fact Chinese academia more broadly is

the regime's chief target in its search for enemies when, in fact, the changes they are resisting are in fact more simply a normal social response as citizens become more empowered.

As a consequence, tools and resources used by business and individuals around the world are denied in China: for example all Google services have now been blocked in the country. Increasing restrictions on intellectual freedom and thought and warnings to academics on what they teach and say all reflect the tightening ideological control that is part and parcel of ubiquitous censor controls. Many companies in China, including startups trying to build global internet businesses, are as a result unable to access their email, shared documents and other online services because they are blocked by China's internet censors. The trust of the international business community is under threat as accusations and sanctions under opaque, inconsistent and changeable anti-trust rules are common. Reports of Chinese authorities staging raids on the China offices of multinational companies on trumped up charges with the ultimate aim of securing sensitive intellectual property and products are becoming more common, and alarming. These are all further signs of a chill that is descending on China where political control remains the paramount concern for the government. It appears they are willing to sacrifice commercial gains in exchange: China's economy is now stuck in a series of seemingly systemic traps from which there is, and will be, no easy exit until the government changes course.

Li Ka-shing, one of the richest men in Asia, wants to do business somewhere else and is moving his companies' head offices offshore. Others have been detained by the authorities and have just apparently disappeared. China is a very different place from what it was just a short while ago and unfortunately the old way is no longer working while the new one according to a growing number of successful business people, fast becoming too costly. There were days in the recent past when state leaders in Hong Kong and China were happy to have tycoons in their rooms. It all changed with President Xi Jinping, who sees the dominance of tycoons, politically and economically, as the root of many ills affecting Hong Kong especially, and perhaps the country more generally. The tycoons now find themselves among strangers, in Hong Kong and up north, playing a game where the rules have changed. What the strangers are asking for is no longer money or fame but loyalty, which, given the nature of modern international business, is probably the only thing they are short of. It is a loyalty that demands action, not just lip service, and extends them a welcome for their politics, not just their money, making them in a very real sense agents, however uncomfortable, of the state.

The government of President Xi Jinping must transform a one-party system enfeebled by greed and mistrust into a well-ordered, ideologically united regime capable of carrying out market-based reforms and sustaining its own long-term survival. As part of that effort he has called for advances on Marxist economic philosophy so it includes some elements of traditional Chinese culture and thought as part of a broader push to fill what he sees as an ideological void in the country. This is not being seen or interpreted as a return to communist orthodoxy, the country has hopefully moved too far for that to be realistic despite the Marxist label it still carries. The country has embarked irrevocably on a totally different of economic development as it tries to

reconcile the communitarian views of Marxism with the individual and private perspectives that underpin the market economy.

Similar problems with inequality and inequity etc. are found in many countries no matter what economic and socio-political ideologies/ theories apply. This suggests that there may be a common underlying cause that is not sufficiently addressed thus far by any model and supports the argument that we should be able to find, design and execute better sets of solutions to problems that apparently plague all societies and economic systems. This may therefore comprise a forward-looking exercise that stands to provide significant benefits to a wider audience than just China.

If it is indeed something new, it may be a timely development as there are changes on the horizon that warrant some prominent attention. Consider, for example, concerns that the above-mentioned economic inequality is likely to get worse, and perhaps much worse, as advances in Artificial Intelligence (AI) and robotics produce technologies that replace the need for people in a greater range of jobs. Recent projections suggest up to 47% of the jobs in a modern economy like the US, UK and Canada will be vulnerable to substitution just within the next couple of decades. Computers do not yet have anything approaching human capacities associated with intelligence, nor are they expected to demonstrate superior levels of AI anytime soon, but the state of the art is advancing quickly and is projected to continue doing so for a very long period yet.

The implications of this are immense and, while it may be a bit of an aside, we unfortunately do not yet have an economic framework, even in theory, that would allow or facilitate widespread sharing of the benefits of the sort of comprehensive automation now being imagined. As it stands, the revenues and benefits are likely to accumulate solely to the owners of the technologies and levels of inequality and attendant social dislocations are likely to soar. This has been a popular subject of late with even luminaries such as Stephen Hawking, Bill Gates and Elon Musk warning that it may actually pose an existential threat to humanity in the not too far future. The uses to which it is being turned even now, such as surveillance and security duties, are not all necessarily benign and the potential for unintended consequences is likely to rise as the power of the technology increases.

The campaign against free speech and Western values has emerged as a consequence of the political need for the party to justify and perhaps even retain the absolute authority it holds. People more used to a more democratic exercise of power might feel compelled to ask why they feel this way, but this is a question that never seems to arise when the politicians are not critically reviewed or periodically re-balanced and/or re-authorized by popular polls. Lord Acton coined the phrase that power corrupts and absolute power corrupts absolutely and unfortunately, there is no evidence that it is possible to root out corruption without freedom of the press, a robust civil society or the rule of law, none of which is allowed thus far. The leadership may be very sincere in its wish to clean things up but the fight against liberalism and "Western values" can also be seen as directly undermining the Chinese leadership's ability to root out official corruption.

It is also likely to work against their efforts to promote innovation and entrepreneurship, and deepen engagement with the outside world. Its suppression of Western values is likely to spur an exodus of the country's best and brightest, a process that already appears to be gathering some momentum. To be sure, only a small fraction of college-age students attend universities overseas, but China's ruling elite are leading the rush to the exits by sending their children to Ivy League and Oxbridge schools. Looked at this way, one conclusion that pops up is that unless the crackdown ends soon, president Xi's "Chinese dream" of national greatness and prosperity is likely to turn into a nightmare of accelerating decline and backwardness, in effect a return towards the bad old days, reminiscent perhaps of something akin to the Cultural Revolution.

Geopolitical Considerations

The relationship between the United States and China is probably the most important single relationship in world affairs. The world's two leading powers are interconnected in numerous ways and the dynamics underlying and driving this relationship profoundly affect economic activity and trade relations around the world. Unfortunately, while Washington and Beijing cooperate where they can, steadily intensifying competition between them, competition which is reportedly now comprehensive in all dimensions: commercial, ideological, political, diplomatic, technological and even academic, is increasingly defining their relationship. There are several reasons for it, one of course being that security now trumps economics in both countries, but the end result may harken back to history when other rising powers did not mesh well with established powers. Both the US and China profess to know enough about the dangers that they are seeking a new Great Power relationship so they, and we, might avoid the sorts of tragedies that often form the highlights of history. Unfortunately, it is also easy to recall comments on how great tragedies, including the first world war, rolled out slowly and inexorably before everyone's eyes but nobody could do anything about it. Hopefully this time really will be different.

So with that encouraging segue, a qualitative shift in American thinking about China is occurring. In essence, the "engagement" strategy pursued across the eight administrations since Nixon is unravelling. Despite this, both know that they have to coexist, and to do so peacefully as they, like the rest of us, have business to do with each other - both commercial and diplomatic business. Neither country has a play book to guide them, other than a generic call for "wisdom and patience" and there is no guarantee that their contrasting political cultures and systems, national identities, social values, and world views will afford a strategic grand landscape within which both can thrive. Given the increasing number of issues, policy positions and developments they are not agreeing on, it seems these two great nations will find it increasingly difficult to coexist despite knowing that they must.

Despite claims of developing a new great power relationship and of having learned the darker lessons of history, the US- China relationship is looking increasingly rocky. From the US side alleged cyber-hacking originating from China, China's deafness to the unfairness of their

sovereignty claims in the South China Sea and their subsequent reclamation and artificial island building programs are causing problems. From the other side, an increasingly blatant China containment strategy by the US (eg. their military pivot to the APEC region and the just completed Trans Pacific Partnership (TPP) negotiations) are not going over well in China. In short, it seems a Sino-American confrontation is becoming more likely despite reassurances from both sides to the contrary.

Taking one example, a wave of internet attacks originating in China indicate the rules of online engagement with China have taken a “nasty turn”. Chinese authorities erected the Great Firewall to restrict access to web content they did not want the Chinese population to see as far back as the late 1990's. This firewall has, however, apparently been recently used to redirect traffic meant for China's largest search engine, Baidu, to overwhelm target websites outside the country using denial of service attacks. The regulator in charge of the firewall, the Cyberspace Administration of China (CAC), denies involvement but this is very difficult to reconcile with their authority over the very system that was used in the attacks.

Regulatory Modernization

This being said, things are only rarely as they first seem and the news on these developments is not all bad. On the plus side, Beijing authorities are modernizing their regulatory regime and bringing their customs and the like up to international standards and practices. This has been on the wish list of many importers for years who have been more or less forced by the inconsistencies and costs of the legal customs route to use grey routes to get (smuggle) their products into the country. Chinese authorities have been successfully breaking up seafood smuggling rings and have arrested scores of alleged smugglers who been moving product into China. Frozen fish and crustaceans from Canada, India, Norway and Thailand were recently seized by Huangpu Customs in the southern port city of Guangzhou. Notably the crackdown featured imported salmon, cod, shrimp and crab which the authorities specifically pointed to as subject to mislabeling. This involves labelling high value species like sablefish and salmon as lower-end species like mackerel and Atlantic cod which are imported tax-free by processors for re-export, so as to pay lower customs taxes.

The changes extend to other regulatory branches. They are looking more closely at insider-type activities in China's financial sector. Probes into market wrongdoing started after the meltdowns in the summer but it has since morphed into an effort to clean up the industry. Despite reservations, it does seem they are trying to take market manipulating practices out of the markets in line with what the Securities and Exchange Commission (SEC) does in the US so the markets can operate more fairly.

It also addresses honesty in advertising. Chinese seafood vendors customarily play up the health benefits of their products and make claims about them that are not at all supported by scientific

evidence. A new advertising law that came into force in September may change this. It criminalizes the use of claims and data in advertising which haven't been independently verified and offers a clear definition of false advertising. This could have a big impact on booming online sales of imported seafood - although the main targets are vendors of health food, medicine and tobacco.

E-commerce Innovations

As outlined in another part of this report, e-commerce is an area where China excels. This is especially important outside of the big cities where regular stores are thinner on the ground and less accessible to shoppers. 461 million people were shopping online in 2014 compared to 47 million in 2007. There are at latest count about 650 million internet users in China with about 560 million of these using mobile devices. Some 390 million, or about 60%, of them shop online on a weekly basis. The main demographic is 20-29 years comprising about 75% women. Overall online sales in China rose from about 461 B RMB in 2010 to 2.76 Tr RMB in 2014, an increase of close to 600%. Consumer to Consumer (C2C) and Business to Consumer (B2C) modalities are currently more or less tied with about 50% of the action but the B2C is growing more quickly.

It's an indication of the profit margins in quality food that Suning, China's largest electronics retailer, has lately ventured into online sales of fresh food, going to the huge expense of putting overseas procurement and cold chain operations in place across the country. Chinese consumers are wary of unsubstantiated claims regarding food safety and quality is moving to the fore of many peoples' minds when it comes to buying food. This is leading to dynamic and innovative changes in China's retail landscape, and that's good news for suppliers of high quality food products seeking to build sales or brand recognition in China where distribution options are opening up.

Online retailers are opening up China's hinterlands to suppliers of food products, as evidenced by last month's opening by JD.com of a giant logistics center in Taiyuan, the capital of inland Shanxi province, far from wealthy coastal cities like Shanghai and metropolises like Guangzhou. China's conventional food retailers meanwhile are losing money and looking for ways to innovate and reverse the decline. Supermarket chain RT Mart, for instance, has ventured into the mainland with shoptaiwan.cn, a site that allows mainland Chinese to purchase food from Taiwan, seen as more advanced in food safety and quality. Aside from the dramatic shift in retail habits, what's equally remarkable is the rise of frozen food. Young, internet-savvy consumers in particular have been turning on to frozen and pre-cooked food rather than fresh produce bought at wet markets and cooked at home.

Within China's seafood production sector, another notable trend is towards large so-called "dragon head" or regionally dominant enterprises that are consolidating into larger operations with higher food safety standards and better quality control than smaller peers. The latter are

gradually being pressured out of the sector by a more stringent food safety regime in China. This reflects rising concerns focussing on food safety by Chinese consumers. Taken together, these are particularly good news for overseas producers of food and seafood because fundamental factors continue to favour food imports in China. The rise of labour costs and an increasing shortage of land and water in China means imported food will continue to be cheaper. The opening up of regional airports and ports (now allowed to do customs clearance) means it's never been easier to get product into the country. With local retail sales growing at 10 percent a year, now is the time to establish a presence in China. Online outlets spreading their logistics capacity nationwide means there's a reach into China that has never before existed. There's also a demand and enthusiasm for fresh and frozen seafood product: per capita seafood consumption China is 14.62 kg and rising and wild caught is very popular.

Conclusion

Engaging in business with China is undeniably a very enticing opportunity to grow with this huge potential and growing market, however becoming entirely reliant on China and betting the survival of a business warrants more cautious consideration. The fact is that China's potential to play a greater role in this world rests in the hands of its leaders who must weigh their ambitions to be an economic superpower abroad against their deep fear of instability. They do appear to be undertaking what may be comprehensive reforms on their economy and business culture but have thus far shied away from limiting the influence and power the Party holds over all aspects of life in China. They can realize a great future along with the rest of us but simple logic along with a wide variety of expert opinion suggest that unless the government reverses its recent trend towards greater autocracy and repression, the country will have to become ever more closed to guard against capital flight and foreign influence. This of course means the inverse is true: it will, as a direct consequence, also lose influence abroad. By this logic, further reform and opening are therefore necessary prerequisites to realizing the China Dream but it remains to be seen if they really want it. To realize their aspirations to, for instance, develop into a modern developed economy and challenge the US in global finance, they need a political opening involving a devolution of power that the leadership and the Party are not yet apparently, and indeed may never be, ready for.

