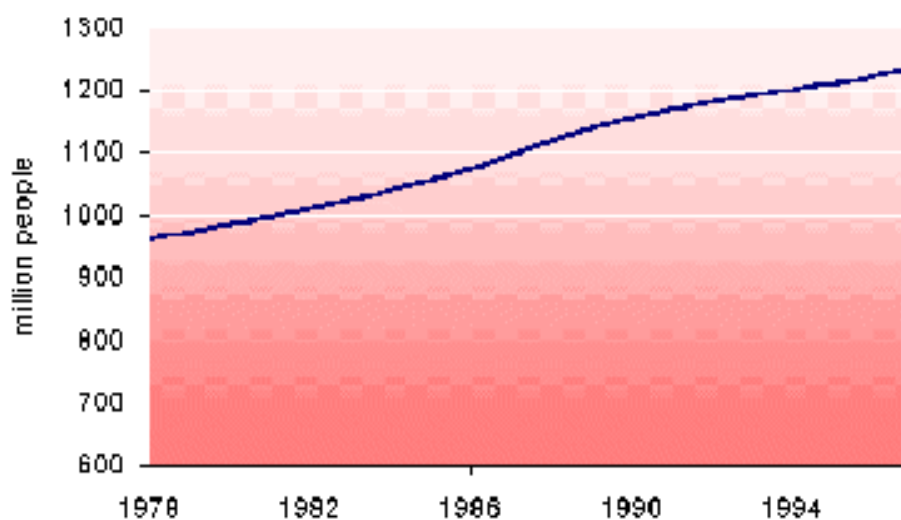


CHINA - The World's Largest Fishing Industry



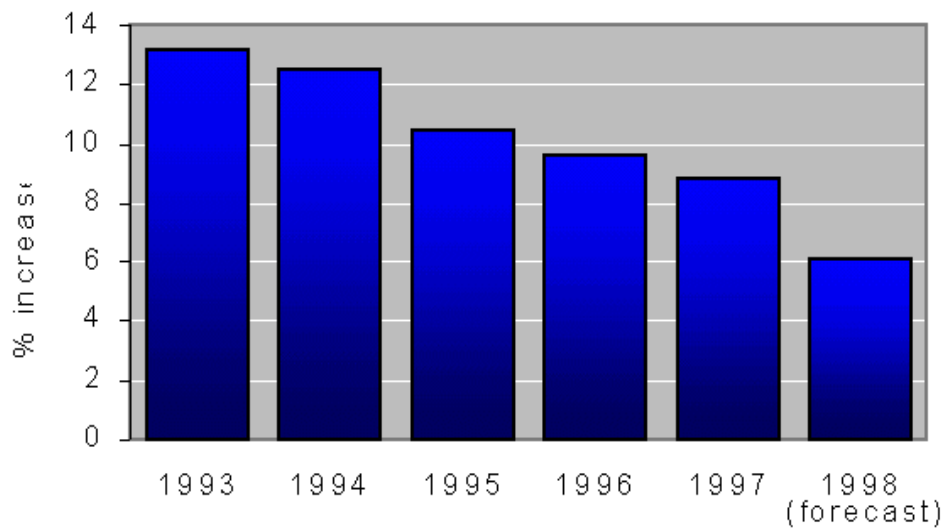
China is the third largest country in the world after Russia and Canada with an area of nine and a half million square kilometres. Interestingly, only ten percent of its land area is cultivated. There is a population of approximately one point two billion and Figure 1 shows population growth in the last twenty-five years. It is perhaps worth looking at the macro economic situation in China at the present time before looking more closely at the fishery aspects.

FIGURE 1 - Population



After the furious economic growth of the last few years the emphasis by Government has changed to one of reform - the reform of state-owned enterprises and of the banking system. This will inevitably lead to mergers, privatisation, and closures of loss making companies. In the last year the pace of reforms has slowed. Although officially China is destined to enjoy economic growth of eight percent both this year and next year, the reality will probably be somewhat less. The Asian crisis has had less effect in China than in many of the surrounding countries, but it is still being felt with the collapse of many of their traditional markets (notably Japan and Korea) and devaluation of most of the other Asian currencies. As can be seen from Figure 2, growth rates have been declining in recent years, although by Western standards they are still very high.

FIGURE 2 - GROWTH % INCREASE ON PREVIOUS YEAR



Without doubt China has a bright future, the question is when and how the Chinese will achieve this. Slower growth may lead to unemployment, which may itself lead to political unrest. I, however, am very optimistic about the prospects for China. As mentioned earlier, China has a population of one point two billion and levels of income and prosperity vary widely between the rich coastal regions and the inland provinces. Figure 3 shows the country of China and highlights the foreign funded companies' contribution to foreign trade, which as you will see are nearly all in the coastal provinces. This map reflects almost exactly the prosperity of the country and the markets for fish and fish products in China. Indeed the coastal enclaves of foreign investment have been compared to the concession ports of the last century.

FIGURE 3 - Contribution of Foreign Funded Companies to Foreign Trade

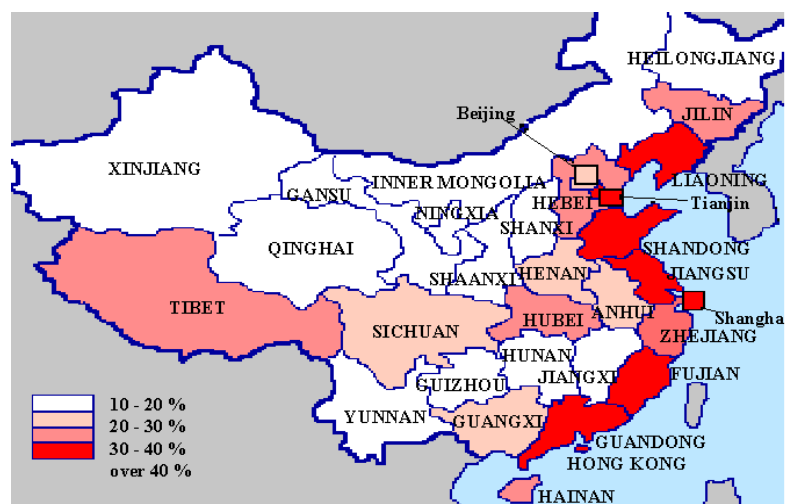
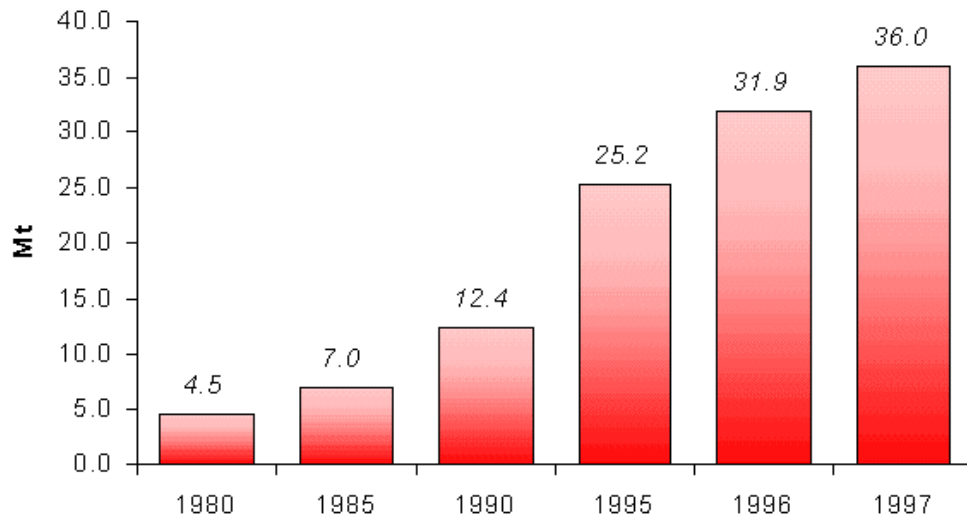


Figure 4 shows China's soaring fisheries production. China's production now represents over a third of the world's production. The increase over the last twenty years is indeed astounding but must be put into perspective.

FIGURE 4



At the time of the reforms in 1979, consumers had very few fish products to eat and producers had little or no incentive to increase production. As we can see from figure 4, this situation has changed dramatically in the last twenty years. The Government's more liberal policies have encouraged private investment and at the same time a similar picture has emerged relating to import and export of fish. In 1985, monopoly pricing and markets were eliminated and fish producers could sell in an open market. Seafood companies, co-operatives and retailers compete in the market and this has stimulated both production and demand, as well as investment in all aspects of the industry.

FIGURE 5 -Quantities of Imports and Exports

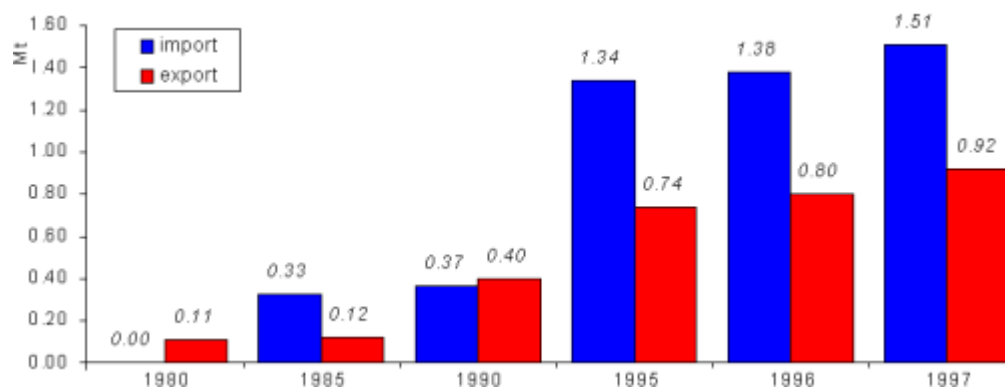


Figure 5 shows the quantity of fish and fisheries products imported and exported and although quantities may seem low in comparison with total production, imports of 1.5 million tonnes have a value of over \$1.2 Billion a year and are indeed significant.

Consumption has also increased rapidly in recent years, though I feel that a more development is the enormous variety in consumption throughout the country. For instance, in Guangzhou 1995 figures are 36 kg per capita, in Fuzhou 34 kg per capita, whereas in the rural provinces it is less than half a kilo per capita. For comparison, consumption in Hong Kong is over 50 kg per caput, one of the highest levels in the world.

I will return to the consumption issue later, but I think first it is worth considering the make up of the production. The total production of 36,000,000 tonnes can be broken down as follows:

- Marine capture fisheries, 13.85 million tonnes
- Mariculture (or marine aquaculture), 7.91 million tonnes
- Freshwater capture fisheries, 1.89 million tonnes
- Freshwater aquaculture, 12.37 million tonnes

The significant contribution of freshwater aquaculture is largely made up of finfish (mostly carp for the domestic market).

What for the future of production? I would expect both aquaculture and mariculture to continue to increase, although perhaps not with the same growth rates that we have seen in recent years, however it would seem unlikely that capture fisheries has much potential for increase. I would expect to see an increase in exports, particularly re-export of processed imported material, and would expect to see an increase in imports, particularly high value species, but possibly not much of an increase in the next year or two, while foreign currency is difficult to obtain.

I would like to say a few words about the Chinese consumer. From the Western perspective, this is still a very immature market as regards shopping habits, supermarkets, and brand name identity. Foreign investment in food and beverage manufacture started in 1979, predictably with Coca Cola, but it was not until 1992 that the Chinese Government opened up the retailing sector to foreign involvement. The average monthly expenditure in the cities on food is estimated to be about 350 Yuan in 1997, that is about \$40, a small enough amount, but interestingly almost twice what it was three years ago. Until the last few years fish has not been available to most consumers, but is rapidly gaining in popularity as it becomes available. Indeed, a Chinese saying that 'a meal is not a meal without fish' is still often repeated. Supermarkets are a fairly recent introduction, and obviously are restricted to the urban conurbations. The younger and wealthier members of the population in the urban conurbations do tend to use supermarkets increasingly. The Chinese consumer likes fish and there is no doubt that consumption will steadily increase if the product and disposable income is available. A premium is paid for live fish. and this of course includes crustacea. Fresh fish also attracts a premium, and frozen fish will usually be considerably cheaper. The market is very quality conscious, though there is considerable room for improvement in quality assurance in processing plants.

Although China has some of the most modern, best equipped and well managed seafood processing plants in the world, they form a very small percentage of the total and I foresee that the current status quo with the EU ((all product from China are inspected at the border) will continue for some time to come. Currently we understand that the competent authority is the MOA - considerable training will be needed in the next few years.

Finally I would like to say a few words about INFOYU, a joint Bureau of Fisheries, Ministry of Agriculture and FAO initiative. INFOYU is a member of the INFO Services Group, which includes Infofish, Infopesca, etc. It publishes a monthly trade news in Mandarin and English, giving domestic and foreign price data, market trends and other information. INFOYU also arranges trade meetings, assists potential exporters to China, identifying domestic partners, and can carry out consultancy assignments.