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Doing Business in China from an Exhibition Venue Perspective

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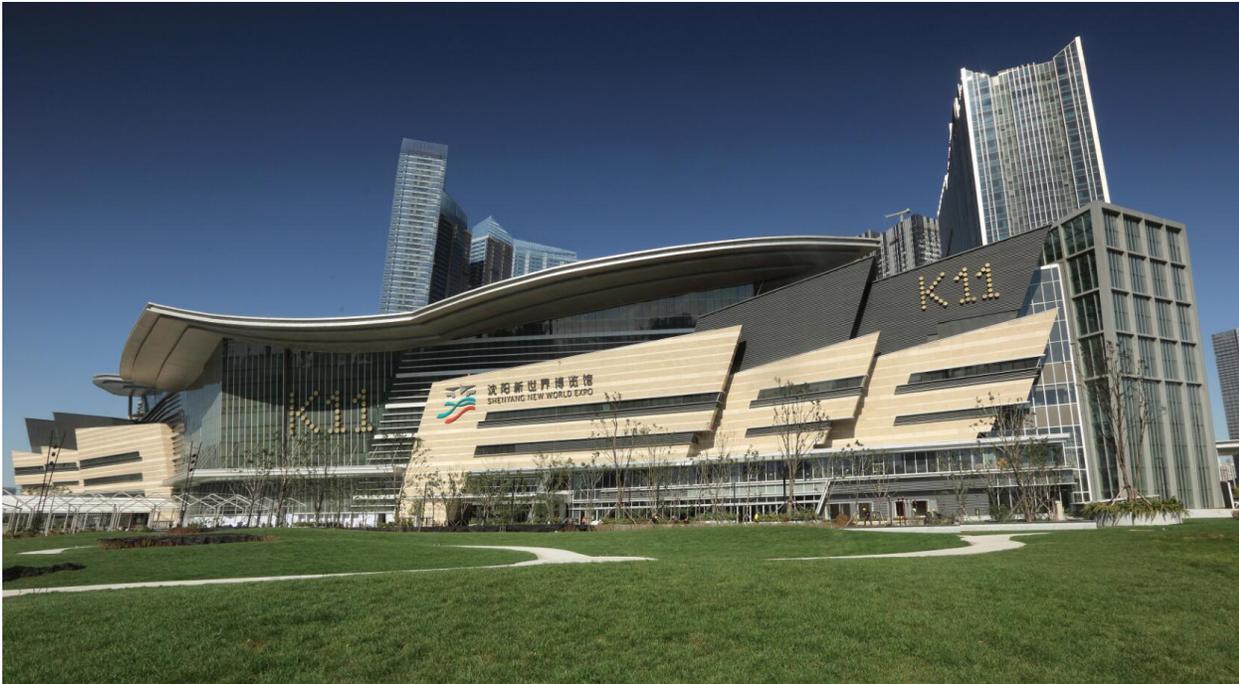
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Report Highlights:

On June 15, 2017 ATO Shenyang Director Roseanne Freese interviewed Cliff Wallace, Chairman of Shenyang New World EXPO (Management) Ltd., the company managing Northeast China's newest exhibition venue with 24,000 square meters of state-of-the-art exhibition space. The Shenyang New World EXPO ("EXPO") opened in September and has been hosting exhibitions continuously since March 1, 2017.



Shenyang's latest exhibition center, the New World EXPO.

On June 15, 2017 ATO Shenyang Director Roseanne Freese interviewed Cliff Wallace, Chairman of Shenyang New World EXPO (Management) Ltd., the company managing northeast China's newest exhibition venue with 24,000 square meters of exhibition space. The Shenyang New World EXPO ("EXPO") opened in September of 2016 hosting more than 7,000 delegates for a national urban planning conference and has been hosting its inaugural exhibitions since March 1, 2017. Mr. Wallace has over 50 years' experience in public assembly venue management. By virtue of his experience serving for 17 years as Managing Director of the Hong Kong Convention and Exhibition Centre and 12 years' experience overseeing two mainland exhibition venues, he understands the importance of trade in China. He formerly served as President and CEO of the Louisiana Superdome, then the state's largest exhibition venue.

RF: China's exhibition format is rapidly changing. As far back as the 1970s, cities were directed by Beijing to host various shows and in the 1990s, State-owned enterprises (SOEs) became the lead entrepreneurs controlling the country's exhibition industry. Now, with the development of a more vigorous private sector and more competition among cities, the timing and location of trade shows is no longer as predictable as it used to be. How would you describe the current trade show situation in China?

CW: The Chinese are strongly interested in collaboration with foreign entities to develop its exhibition industry and organize trade shows and conventions individually or as venture partners with Chinese entities. Over the years SOEs could operate in most anyway they desired. They could choose the site, the time, and the organizer; and even cancel shows for the benefit of its selected organizer. China now realizes that SOEs alone can't sufficiently increase the legitimacy of the industry or ensure maximum growth. However, Americans in particular won't come unless they see stability, lack of intervention and most importantly, be assured that there are real buyers attending shows as opposed to a flood of non-interested visitors, i.e., the general public off the street. China's State Council has realized this and in a

comprehensive list of recommendations issued in a formal paper on April 19, 2015 stated that, “There are problems such as unreasonable structure, underdeveloped policy and weak international competitiveness.” I applaud this admission and the challenges it presents to its SOE’s and governmental entities.

RF: We note that the policy paper says it made several suggestions for the Central Party Committee to consider, including decentralizing decision-making power, promoting marketization, develop specialized agencies, including trade promotion bureaus, developing an exhibition industrial chain, and deepening international cooperation. In the business world, how does this translate to you?

CW: It hopefully means the leadership wants industry professionals and entities other than the SOEs to influence this important industry. China’s realization that significant professional foreign participation and diminishing intervention is key to its exhibition industry’s growth is gratifying.

RF: It’s now August of 2017 and over two years have passed since the State Council’s paper. Has there been progress?

CW: Yes, there is a growing similarity between attending an exhibition in China versus other places in the world where the industry has matured and operates generally based upon international industry standards. I am optimistic that this trend will continue. However, American companies must be willing to tolerate ongoing differences in marketing, licensing, security, work ethic, safety, access controls, financial controls/procedures, and such business related issues that are still behind in development and will result in culture shock during initial industry interactions in China. A big difference remains in the make-up of an exhibition audience, the visitors/buyers that have not been qualified through proper registration or onsite access controls. This is necessary also to maximize the quality and quantity of legitimate exhibitors.

RF: Could you explain further?

CW: China’s exhibition organizers do not traditionally truly vet the participants (visitors). All an applicant has had to show is a business card and I have seen “vendors” set up business card printers right outside exhibition venue entrances and print your name and a chosen title and company you desire. With that, you can register inside the venue, if even that is necessary. In the United States and Canada, exhibition organizers encourage electronic registration months in advance and work with industry committees/associations to vet the applicants. Additionally, data bases of professional buyers have been built over the years and are proactively maintained to remain current.

RF: Yes, in the trade shows I’ve attended, even in China’s biggest cities, I see lots of non-professional visitors. It gives the impression that exhibition organizers and/or exhibitors think quantity is more important than quality. That said, when I go to a show in a smaller city, the exhibitors and the attendees both are more professional. Have you noticed other differences between U.S. and Chinese exhibitions?

CW: Yes, exhibitions in almost every case must be “licensed” in China. There is no such requirement in the United States. Exhibitions are also subject to, many times, very unreasonable security and “regulatory” intervention whereas in the U.S., venues are designed and operated under standard industry practices that are not subject to licensing are changes on the whims of local “regulators”. There is also

the regular problem that if the exhibition company has not sold all space licensed, they will open the exhibition space to companies that may exhibit products and/or services that have nothing to do with the established and advertised exhibition's theme, i.e., just for the organizer to gain the rental revenue. This at times results in the presence of vendors selling cheap goods and roaming the exhibition floor utilizing various means of distraction in order to bring attention to their being there. In the spirit of the State Council's paper, these are examples of practices that need to be corrected ASAP.

RF: From your perspective, what is the most significant issue constraining China's exhibition business?

CW: Most significant is the risks, time and investment associated with achieving ROI considering the points made above, not to mention also identifying a credible industry professional/company to venture with. In addition, closely related is theme protection and protection of intellectual proper rights.

RF: Could you elaborate on the two latter issues?

CW: In the United States, there is an industry standard of mutual respect among exhibition organizers and venue management that reasonable time is granted between exhibitions of similar themes to minimize if not prohibit unreasonable competition between events. It is a business determination depending on theme and how the market will support multiple events of the same theme. In Hong Kong for instance, the venue can support multiple jewelry exhibitions, even one at each major venue at the same time, the demand there is due to an internationally established demand which supports more than four mega-jewelry shows a year. In other mainland markets, it would be unwise in most cases to have more than two annual shows of a similar theme within 4 to 6 months of each other except for popular themes, for example, auto and wedding. Market demand must be followed to grow a respectable exhibition industry that attracts foreign investment. In China, respect for theme protection is developing. However, SOE's are still in control and very competitive with one another. To lure Americans more often, more commercial business practices and international business standards must be adopted.

RF: So you not only see monopoly management of a particular region but you also see monopoly management of a particular economic sector. Do you think that will ever change?

CW: Yes. It is changing. But, I am sure I speak for many industry professionals inside and outside China: It needs to happen faster!

RF: Everyone knows that Shanghai, Guangzhou and Beijing hold the biggest shows, why should U.S. companies come out to a regional show?

CW: China has recently announced "new first-tier cities" including Shenyang as well as new free trade zones including Shenyang-Dalian in Liaoning Province. That will definitely open up the market. Also, there are other reasons that U.S. companies should consider local and regional exhibitions and conventions. First, there will have less competition from other foreign suppliers. Second, the infrastructure in many large cities and healthy exhibition markets, such as Shenyang, are much better. For example, the airports can be closer, the roads and access better, and the cost of participating in the show is normally lower. These cities also benefit in many cases from lower air pollution and fewer hassles associated with the mega-cities.

RF: And we have a U.S. Agricultural Consulate and Agricultural Trade Office (ATO) here in Shenyang to support our visitors. And yes, there's a METRO station connecting EXPO, the ATO, and the hotels. Thank you for your time. It's been a pleasure visiting with you.

CW: By all means. Thank you for recognizing EXPO as a new and real benefit to the region and China's exhibition industry.

ATO Shenyang Contacts

If you would like additional information or guidance on how to export U.S. agricultural, forestry and fishery products to Northeast China, please contact the Agricultural Trade Office of the United States Consulate in Shenyang. We will be glad to orient you and your company to potential buyers, distributors, and significant trade show. Please recall that Shenyang is 15 hours ahead of West Coast Time and 12 hours ahead of East Coast Time. Our contact information is below:

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