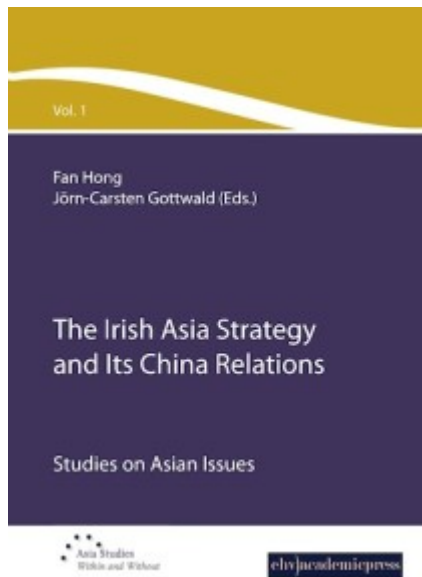


# Chapter 11: Comparing Irish And Chinese Politics Of Regulation ~ The Irish Asia Strategy And Its China Relations



In its Asia Strategy, the Irish Government calls for closer cooperation between Europe and Asia and a higher profile of Irish business, society and politics in this core region of the global economy. While the focus in general rests on trade and investment, there is one area where Ireland as Europe's Celtic Tiger has much to share with its distant partners: regulatory reform and innovation as a key driver for economic modernisation and competitiveness. From an academic perspective, the analysis of regulatory regimes, states and capitalisms has enjoyed years of impressive development. While some have focused on

a better understanding of the evolution of regulation and their impact on political systems or the world economy, a second stream in regulation research seeks criteria for an evaluation of existing regulation and the promotion of better regulation. Case studies from different jurisdictions are frequently used to highlight practical and theoretical issues. In this paper, the experience of two states experiencing impressive rates of economic growth but exhibiting contrasting political systems are analysed to isolate areas of convergence in regulatory development. China and Ireland are of vastly different size but the Middle Kingdom dwarfs most other states. The comparison is, however, made more plausible by Ireland's need to accommodate EU regulatory strictures and China's adjustment to an open market economy. Further, though small, Ireland does not operate in an international political vacuum. Like other western democracies that are "open, integrated, and rule-based, with wide and deep political foundations" [i] and, as such, represents a typical liberal democracy. Nevertheless, to acknowledge the clear differences between the cases chosen, the paper concentrates on aspects of the Irish experience that might signal useful

insights for China in the areas of transparency, innovation and competition.

Thirty years after the Chinese leadership initiated the policies of reform and opening up to the outside world, the People's Republic of China (PRC) is a remarkable economic success story and an increasingly opaque puzzle for academic research. Its 'Socialism with Chinese Characteristics' has seen average annual growth rates of more than 10% since 1980. By World Bank standards, China in 2006 was the fourth largest economy in the world, a major trading nation and holder of the largest foreign exchange reserves. At the same time, its 'Socialist Market Economy' exhibits fundamentally contradictory features: while there are comparatively free markets in some sectors of the economy that tempt observers to compare today's China with the Manchester of the early 19th century, private property rights have only recently found their way into the constitution and are still subject to the interpretation and protection by a judiciary under direct control of the political leadership. China's rule by law - not to confuse with the concept of rule of law - is executed by courts and bureaucracies under direct control of the Leninist apparatus of the Communist Party of China, which, according to the constitution, leads all Chinese political institutions and exerts the democratic centralism as part of the dictatorship of the people.

The interdependence of social orders that links the existence of a market order with a pluralist democratic system that guarantees rule of law points at an implicit instability of China's political and social order. But, while doomsayers had their fair share of academic and public interest in the 1990s, the survival of CCP rule in spite of fundamental changes in the economic and social system requires further analysis. There is no consensus among China watchers on the nature of its political order. Characterisations include soft authoritarian, adaptive authoritarian and neo-consociational. Similarly, opinion on the direction of its future development ranges from enhanced state capacity stabilising party rule to decreased state capacity destabilising the CCP. It is obvious nevertheless that somehow China's hybrid political and economic order is a survivor.

Part of an explanation how exactly the Chinese leadership has managed to maintain political control and economic dominance in an increasingly pluralist social and market economic environment lies in its proven track record in institutional learning and innovation. At the same time, a global trend towards the introduction of new forms of governance, particularly of quasi-independent

regulatory bodies, is recalibrating the traditional relationship between governments, societies and markets in well-established OECD countries as well as in emerging markets.

While the rise of the regulatory state, the post-regulatory state and regulatory capitalism has led to an intensive debate about efficiency and legitimacy, its implications for non-democratic states with emerging market orders has been painfully neglected.**[ii]** The global trend to redefine the relationship between governments and markets, between state and non-state actors in the area of economic activity, however, has changed the perception of social orders and has a direct impact on the institutional and policy change of states in an interdependent world.

### 11.1 *The Rise of Regulatory Capitalism in China*

Property rights, the rule of law and a stable institutional framework are usually taken as a *sine qua non* for a functioning market economy. In the PRC, nearly thirty years after the leadership embarked on an encompassing programme of economic reform, none of these are fully in place.**[iii]** In rural areas in particular, privatization of land is still resisted 30 years after Deng Xiaoping ordered the “household responsibility system” giving farmers leaseholders’ rights including that of keeping and selling surpluses. The exact impact of the transformation from a socialist state *à la Chinoise* towards a modern and open authoritarian market economy still is one of the most controversial issues in current China research.**[iv]** Fundamental differences persist in the perception of China’s political system after reform with regard to the issue of democratisation. But even in analysing individual aspects of social life and various sectors of the Chinese economy, a diffuse set of potentially incompatible institutional arrangements emerge. The fundamental issue of China’s political and economic order is far from resolved.

At the same time, research on established western market democracies has brought forward a better understanding of path dependencies within national and regional institutional frameworks, creating a great ‘variety of capitalisms’.**[v]** Further, a major side effect of globalisation seems to be a universal trend from traditional government to modern governance.**[vi]**

Admittedly, a clear and broadly accepted definition of governance is still open to consideration. The debate has, however, been instrumental in shedding light on the relationship between ‘steering’ and ‘rowing’ in modern societies, i.e. between decision-making and socio-economic activities. Interestingly enough, while China-

watchers still discuss the impact of marketisation on China's democratisation, the debate on the rise of the regulatory state in the age of governance in established Western market democracies questions exactly the compatibility of participatory decision-making in representative democracies with efficient market oriented regulation.**[vii]**

### 11.2 *The Rise of the Regulatory State and the Evolution of Market Economies*

After the breakdown of the socialist states in Eastern Europe, social scientists engaged in an extensive debate on the unforeseen implosion of the main alternative to Western democratic market economies,**[viii]** provoking the notion of the 'end of history'.**[ix]** Mankind was rushing towards market economy and pluralist democracy based on certain prerequisites - rule of law, active guarantees of competitive markets, stable macro-economic framework. A market economy seemed to depend on the existence of democratic political institutions. For neo-institutionalist theories in economics and political science, the significance of property rights, relational contracts and trust for economic and social development provided further support of the presumed close linkage between market economies and a representative pluralist democracy. The case was proven in the simultaneous restructuring of the economic and the political order in most socialist countries after 1989 - with the one astonishing exemption of the People's Republic of China.

Given the breathtaking speed of economic and social developments in China, the dominant theoretical approaches characterise the Chinese political order as unstable because of a dissonance between the deepening and broadening of economic reforms and its nominal 'socialism'. Indeed, there is ample empirical evidence for the growing pressure on China's political order to adapt to the new unleashed forces of market activities. But while series of administrative, inner-party and governmental**[x]** reforms confirmed the need for restructuring the political order, the CCP manages to preserve a basically unchallenged dominance**[xi]** over political processes and institutions.

Confronting this theoretical and empirical puzzle, some observers still perceived a slow transformation of China's political system,**[xii]** while others claimed somewhat paradoxically that the deepening and broadening of market oriented economic reforms had not only left basic mechanisms and instruments of political control by the CCP in place, but that overall the CCP seems to have improved its capacity to dominate the political order. In different words, the Leninist party system has not only shown a surprising resourcefulness for institutional and

organisational innovation, **[xiii]** but seems to come out of the great transformation as a clear benefactor of change – and not as its victim.

The fact, that nearly thirty years of market oriented reforms in China have not led to the expected downfall of one party rule, but might even have contributed to an increase in state capacity under the leadership of the CCP, is one the most fundamental puzzles in current politics and academic research. It raises significant questions: First, whether the productive co-existence of a Leninist party-state with an evolving market order is *sui generis* and, if so, what are its main characteristics. Secondly, how can one best explain the *stabilising* impact of market reforms on the Chinese polity?

### 11.3 Regulation, Governance and Capitalism

Analysing China's Socialist Market Economy raises the fundamental issue of the concept and role of the state. In traditional i.e. 'Western' perspective, the basic notion of the modern (nation-) state and its role in economic activities usually refers to the political order in Europe after the devastating religious wars in the first half of the 17th century, the emerging political order after the Peace of Westphalia of 1648 established the notion of a sovereign state, governed by an administrative apparatus, with unchallenged control of clearly defined territory, within which the sole legitimate use of force rested with the ruler. **[xiv]** This context of the modern state formed the basis for fundamental legal and political theories concerning government, society and market activities. In the second half of the 20th century, several developments led to a fundamental revision of this early concept: the politics of European integration jarred with the concept on sovereign states preserving their independence and relative power; then, all the processes usually subsumed under the term 'globalisation' undermined the capacities of modern governments to pursue their policies independent from the interest of other governments and an increasing number of non-state actors, **[xv]** particularly enterprises and civic organisations. Finally, the rise of East Asian economies from developmental to industrialist status re-invigorated the debate concerning the different attitudes of public-private interactions, replacing the traditional dualistic perception of 'the state' and 'the society' or 'the economy' to a rather inclusive perception of close-knit network comprising bureaucrats, parliamentarians, NGOs and enterprises. **[xvi]** These led to new complex forms of rule-making by national law-making, trans-national standard setting, inter- and intra-national consultations and negotiations or simply a privatisation of rule-making through increased reliance on non-majoritarian forms of decision-

making.**[xvii]**

Diffuse as the literature on governance remains, at its core are new forms, mechanisms and ideals about the development, implementation and revision of sector-specific policies. This paper looks at these issues through the narrow prism of 'regulation' and the 'regulatory state' though it draws on the macro-scientific debate on governance in sociology, economics and politics.**[xviii]** The regulatory state is interpreted here as a specific form of market creation and market correction, a political act to shape the relationship between state and private actors.

Following the positive theory of regulation as introduced by Stigler and Peltzman**[xix]** and combining it with an actor centred institutionalism in the Cologne tradition,**[xx]** the paper interprets regulation as the formulation, implementation and revision of specific rules for narrowly defined policy fields or aspects of social activity. Regulation in this sense is the outcome of interactions between individual or collective actors trying to realise their preferences within a dynamic institutional framework.

Following North, the paper distinguishes between actors as "players of the game" and institutions as "rules of the game". Social groups - and sometimes individual actors-simultaneously strive to realise their preferences and to modify the institutional framework to their advantage.**[xxi]** Thus, regulation by definition is dynamic and characterised by a flexible approach towards problem solving including and combining various norms and mechanisms of governance. Regulation in this understanding goes beyond the traditional centrality of state law

as it combines state law with other forms of formal and informal contracts. Especially in the area of financial markets, institutional change is fast and competition between interest groups vying for profits is sharp, often leading to a race between market intervention, business crisis and re-regulation. This is especially true for dynamic multi-level polity entities that undergo a process of institutional change - such as the PRC or the European Union.

In this context, it seems necessary to merge research on China's new political and economic order with these new approaches in regulation and capitalist theories and turn the attention from 'Government' to 'Governance'.**[xxii]** But, while the concept of 'governance' has proved to be an effective approach to integrate social and economic non-hierarchical forms of decision-making into the classical

analysis of the workings of the state apparatus or political systems, the paper acknowledges that it suffers from a lack of clear cut assumptions and workable definitions. Only too often the analysis of Chinese governance turned out to be a simple combination of analysing the CCP's rule with various trends in economic development. Besides, work on economic policies in established market economies has shown a broad diversity of arrangements within existing capitalisms, varying from sector to sector and sometimes even within.**[xxiii]** The paper accepts McNally's**[xxiv]** interpretation of China's rise as the evolution of a capitalist socio-economic order and seeks to develop a new analytical framework.**[xxv]**

If different organisational arrangements within capitalist orders are common, then the co-existence of different regulatory regimes within a political economy loses its uniqueness. Instead, the distinctive element of current varieties of capitalism is the incorporation of independent agencies.**[xxvi]** The global and sectoral diffusion of this post welfare state form of policy making clearly contradicts early claims of a neo-liberal global marketisation. Quite to the contrary, the opening up of national sectors of the economy to foreign competition and the introduction of global standards have led to a worldwide wave of re-regulation - introducing new ideas of regulation, new rules, new regulatory organisations and new instruments. As a by-product, technocratic expertise has gained an important stake in the global search for optimal regulation. Real markets seem to be in a constant need for rule-making, implementation and revision of rules. Thus, formal and informal institutions set the incentives for rational actors pursuing their interests to compete for maximum gains within the existing framework and for changing the institutions to their best advantage.

The ongoing process for regulatory innovation is inseparably linked with competition and transparency.

#### *11.4 Regulation, Competition and Institutional Change*

Each political system must address both internal and external pressures within the context of a competitive world economy in which extremely mobile investment is a key driver. Since the success of the Asian miracle economies, starting with Japan in the 1960s, openness for the inflow of capital, know-how and technology has become the dominant paradigm for the pursuit of economic modernisation. Today, emerging markets compete with the well-established OECD countries stimulating an exponential growth in worldwide capital flows. The question now is

not whether to open up an economy to global markets but how to best organise the regulatory framework for domestic and foreign actors for economic activity.

The process of liberalisation must not be misinterpreted as an ongoing de-regulation.**[xxvii]** Substantial political and economic research provides ample evidence that the creation of new markets requires a combination of re-regulation and de-regulation.**[xxviii]** Regulatory reform has, therefore, become an integral part of macro-economic policies. Due to the dynamic nature of not only capital but most global markets, regulatory frameworks can be perceived as permanently in the making. The issue of adopting, re-organising, improving existing regulation requires a high degree of state or political capacity. Crisis management, day-to-day adaption and innovative relaunching of regulatory regimes is a fundamental task for all economies which deal with multinational enterprises.

The importance of sound decision-making and successful political management of regulatory reform is nowhere clearer than in countries which embark on a course of radical modernisation. A well-documented case for this point is Ireland, where the industrial strategy chosen in the 1960s stressed infrastructural investment, tax concessions and other incentives to attract foreign direct investment and integrate these into a liberal trading regime. The state deliberately opted for a policy change, turning to global markets and using substantial subsidies from the EU for improvements in infrastructure and education. This process was clearly government-driven, notwithstanding the crucial role of US investment and EU transfers. This role of the Irish political leadership reflects Porter's model of comparative advantage with the state acting as a catalyst to higher levels of competitive performance by companies, mediating between domestic social and economic interests and assuring a supportive business environment.**[xxix]** A reputation for good governance is, for Ireland, a comparative advantage though this might be offset if too intense a regulatory regime imposed higher compliance costs on firms operating there than in rival jurisdictions.**[xxx]** The balance between the governance benefits and compliance costs is hard to quantify as is that between internal and external pressures but each is discussed here with reference to three recurring themes in the discourse on regulation - transparency, competition and innovation.

Transparency, innovation, and competition all have an internal as well as an external dimension and they are all interdependent. In this paper, it is argued that it is especially the area where these three issues are interconnected that proves characteristic for the working or failure of regulation. It is important to keep in mind the crucial role of public actors, i.e. the government, business and



consumer organisation and regulatory agencies, in shaping the interconnectedness of transparency, innovation and competition.

#### 11.4.1 *Transparency*

Transparency has become a guiding concept in the lexicon of governance though frequently honoured more in the breach than in the observance. In relation to regulation, transparency is thought to offer citizens, companies and other political actors clear lines of accountability. **[xxxi]**

Accountability then is crucial requirement for the preservation of legitimacy and the possibility of effective political management of regulatory reform. Similarly, for relevant external actors, particularly potential investors and intermediaries, transparency is the prerequisite for rational decision-making. In addition, it equates to reassurance that competition is fair, assets safe and profits recoverable. Investors should be able to take a reliable institutional framework ensuring rule of law and enforcement as a given. Thus, internally, transparency's foremost importance is political while externally it is economic.

Transparency is not among the traditional virtues of either public bureaucracies or business. For civil servants, personal anonymity and ministerial responsibility are prized characteristics that the public sector reforms, captured by the term 'new public management', have only recently challenged. For senior politicians also, the idea of transparency is a threat to the promises, bargains and compromises that are their stock in trade particularly when dealing with domestic entrepreneurs and potential inward investors. From a business perspective, the balance between a minimum of transparency to be attractive for investors and customers and the maximum of protection of know-how and technology has always been uneasy. Even the highly sophisticated networks of investment bankers, rating-agencies, free media and governmental and non-governmental regulatory bodies have failed to disclose the manipulations of ENRON and WorldCom. As the US sub-prime mortgage crisis demonstrates, modern financial products have become so complex and, thereby, non-transparent that even the top management of the big global banks seems unable to understand their own dealings.

In the case of Ireland, the political, administrative and business elites have developed a close working relationship. While this might be beneficial for internal transparency, where a close network of local elites allow a Celtic version of London's famous 'Gentlemanly Capitalism', **[xxxii]** its impact on non-domestic actors is problematic. Informal networks tend to shape official regulation

according to local interest, traditions and loyalties. Non-members of these networks encounter a gap between formal and informal rules and regulation. Closing the gap increases the costs and the risks of their activities. Thus, the introduction of autonomous statutory regulators and the ongoing adoption of global standards and regulatory practices enhance the level of transparency in relation to the general business environment and particularly levels of competition.

#### 11.4.2 *Competition*

Competition itself is also used as an axiom. Indeed, among regulators, the benefits of competition for the maximal use of resources and the process of wealth creation are unchallenged. For politicians, interest groups and even citizens the benefits are not always so clear especially in their constituency, in the short term or in the faces of personal readjustments. The main thrust of competition policy in most political systems is the removal of barriers associated with restrictive trade practices, monopolies and access to financial and other resources. For inward investors, the key is often consistency in the application of policy when applied to non-local enterprises. In Ireland, the combination of a generic regulator for competition and a number of sectoral regulators has ensured that almost all business areas are covered. Nevertheless, competition may be compromised by regulatory capture, with the interests of potential competitors being crowded out by the vested interests of the existing incumbents. An interesting case study in competition in Ireland is offered by the development of single electricity market spanning the two jurisdictions on the island - the Republic and Northern Ireland. Energy is important for an island with little natural resource and which is at the end of Europe's gas supply lines. Electricity prices for businesses are significantly higher than elsewhere in the EU. Central planners, who forecast demand and influenced investment decisions, have made way for the market. The dominant player on the island, the Republic's Electricity Supply Board (ESB), has divested 1500 MW worth of plant as part of the reform. New suppliers or distributors, as distinct from the generating companies, have emerged. The crucial test for long-term investors, in what remains a small market, is whether the Republic's government can separate its role as owner of ESB from that of the statutorily independent regulator when politically sensitive decisions have to be made.

#### 11.4.3 *Innovation*

Innovation is regarded as a major driver of the economy and so a great deal of the thrust of regulation is aimed at encouraging it. Public policy is designed to facilitate the introduction of new goods, methods of production, market opportunities, sources of supply or, though less often recognised, new forms of business organisation by indigenous companies. Potential investors, particularly from outside, will look to regulators to offer protection to their intellectual property, research investment and license income. The area of innovation is particularly sensitive for regulators in part because of the necessary levels of confidentiality but also because R&D needs to frequently challenge existing standards. In this context, EU business complains that the US regulates in the R&D function with a much lighter touch in many areas. In Ireland, making sure industry complies with regulations is tempered by the need to assist firms manage, protect and extract full value from their intellectual assets to strengthen their competitiveness. Thus, both critics and admirers use the term “light touch” to describe Irish regulation.

There is a presumed tension between regulation and innovation which is summarised in the maxim that government-backed rules undermine creativity. This is again based on the idea that the market rewards new ideas and business solutions. Innovation has, however, always depended upon certain kinds of regulation. In Ireland, the authorities has tried to use regulation to encourage indigenous companies, especially SMEs, by countering both the resistance of existing suppliers to competition and the propensity to anticompetitive practices. While ensuring that innovators comply with regulations, Irish governments seek to help firms gain competitive advantage. Entrepreneurs complain that regulation damages innovation by making it harder to cut costs or organise more flexibly. In this respect, overcoming the impact of regulation may itself be a fillip to innovation.

The ability of the Irish authorities to facilitate innovation is substantially narrowed in areas of high standardisation at EU level as is increasingly true in the area of financial services. In such areas, experimentation and the development of new techniques is inhibited and, critics allege, a “race to the bottom” is encouraged by so-called “jurisdictional competition”.**[xxxiii]** The Irish experience is that, for the most part, EU member state financial regulators cooperate extensively, regularly share information on best practices and keep up both formal and informal dialogues and technical consultations. Ireland has sought to reassure investors by cost justified regulation and while encouraging innovative financial products. This search for equilibrium speaks to the issues of intersecting

pressures discussed below. It is important to note, however, that the Irish principles-based regulatory regime in this area is vulnerable to pressures on it from events in other jurisdictions with a similar approach. Thus, for example, the Northern Rock crisis in the UK in 2007/8 increased calls for a pan-European regulator operating a system closer to the tightly specified American model that inhibits innovation.

The relationship between innovation and regulation is complex but external investors generally seek assurance that their innovations and innovatory capacity are protected. Innovators may look elsewhere to develop new projects if they have doubts about the regulatory environment. On the other hand, Ireland is party to EU regulations[xxxiv] on the abuse of dominance, clearly a danger associated with large multinational companies. Further, governments themselves cannot force innovation particularly through regulation. In relation to external interests, the Irish government may seek to influence innovation by encouraging industrial clustering or proximity to educational facilities using regulation but these constraints are never used to inhibit investment. The regulatory burden is seldom severe or costly to maintain and the right to innovate is protected mostly by forms of regulation that hinder power to control new initiatives.

#### 11.4.4 *Intersection*

This paper proposes that the significant analytical areas for understanding regulation in Ireland and China can best be identified by the intersection of transparency, competition and innovation. It suggests that much of the political tension that surrounds the area of regulation in dialogue between China and its trading partners, particularly in the EU, arises from the conflicting imperatives of transparency, competition and innovation. Further, the intersecting areas are those most likely to present challenges for China as its developmental model changes. Again, the paper suggests that the Irish growth strategy based on productivity and innovation rather than using more labour and other resources more intensely, which informs much regulatory reform, may be illuminating for China.

Accession to the WTO has highlighted the need for a more rigorous approach to regulation in China, especially to comply with the Agreement on Traded-Related Aspect of Intellectual Property Rights (TRIPs). In the early 1990s, the low cost/low skill developmental model was much to China's advantage in competitive terms. For example, the so-called "China price" was the unbeatable sourcing benchmark for American, Japanese and European retailers. The regulatory framework could

afford to be weak. Since the mid-1990s, however, competition from other Asian economies has suggested the need to go beyond low cost by increased efficiency. Issues of pollution, energy costs, trade imbalances and skills shortages now point to the need for a new developmental model in which quality standards and technological transparency and innovation become clearer. Foreign companies for whom it is an asset to be protected and rent extracted own the majority of IPR in China.**[xxxv]**

Some observers have criticised the “regulation-lite” policies of the Irish financial services regulator. The Irish principle-based and permissive policy illustrates the tension between competitiveness and transparency. In capital markets, for example, there is a significant enforcement gap between Irish and some foreign practice especially other common law jurisdictions such as the US, Canada and Australia. In broad terms, the dilemma faced by Ireland is between attracting trading volume and reducing the cost of capital. The regulatory and disclosure environment in Ireland reduces compliance costs and the low levels of enforcement mean increased business but both features risk greater insider trading and market manipulation. In China, however, the state’s less transparent political structure might mean that stricter enforcement will be needed to engender greater trust and confidence and lead to higher capital valuation.

While emphasizing good governance, the [current Chinese] reform [of the civil service] cannot achieve the ultimate objectives of “good governance” practices because the administration is not sufficiently insulated from political influence.**[xxxvi]**

Further, despite the opening of foreign stock exchange offices in China, The Economist reports that Chinese regulators are “pressing domestic companies to list at home”.**[xxxvii]** If China is to adopt a developmental model that calls for increased local generation of IPR then the reassurance that foreign companies expect from a transparent regulatory system may need to be matched by some protection for Chinese innovation in R&D.**[xxxviii]** There will be increased demands internally for support for indigenous companies, especially in the non-state SME sector. The central and provincial governments are already looking at the South Korean and Japanese models but the Irish experience may be more relevant because of Ireland’s high dependence on foreign research funding. This has, in recent years, caused the Irish government to increase very significantly its support for scientific research in key industrial sectors and in the Republic’s universities.

Similarly, as China passes out of a period in which imitation was a viable strategy

for local enterprises, regulations governing barriers to internal market competition that currently inhibit the free movement of labour and goods to protect local enterprises will have to be removed. In the short term, this may lead to the relocation to less expensive parts of China of relatively low-tech, labour-intensive, less time sensitive industries but these will be replaced by research and development lead enterprises. The need to make regulations transparent and consistent will reduce the ability to shelter local industries or impose differential cost of compliance. In Ireland, a constant feature of the business interest groups' commentary on regulation is a comparison of the cost of "red tape" in the various member states of the EU. Naturally, each jurisdiction claims that others are less strict in their application of regulations. In some areas, especially food, medical devices and pharmaceuticals, where the US market is crucial both China and Ireland have had to conform increasingly to American regulatory standards and costs.

China not only needs continued access to the global capitalist system; it also wants the protections that the system's rules and institutions provide. The WTO's multilateral trade principles and dispute-settlement mechanisms... offer China tools to defend against the threats of discrimination and protectionism that rising economic powers often confront... Chinese leaders recognize these advantages. **[xxxix]**

The overlapping imperatives of transparency and competition have recently been highlighted by clashes between China and its trading partners. The achievement of market economy status is a goal for China that has clear implications for the development of regulation. China is the focus of much suspicion by foreign governments especially of countries with a high level of dependence on exporting. Technical and non-tariff barriers to exports, especially in textiles and light industries, are resented by the Chinese authorities which retaliate through what their critics allege are selective use of regulatory measures. These tensions are likely to be exacerbated by the trend, familiar to Ireland, for exports with a high domestic content, such as toys, to become less significant than those with more imported components such as electronics. Ireland has for the most part avoided trade issues becoming political by granting statutory autonomy to its regulators, though clearly government departments do retain both informal and legal powers to influence them. Like China, Ireland retains the right to direct regulators to have regard to broad public policy objectives but it does not seek to protect "key Chinese brands" or prevent acquisitions involving "economic security".

The scale differences between Ireland and China in size, population and domestic natural resources are vast. For Chinese companies, their home market is huge and provides the basis making local brands global. Many are expanding sales and production internationally and are leveraging rapid growth at home to invest abroad. Ironically, the experience of operating in an emerging economy may make Irish and Chinese managers more adaptable and resilient abroad. Competition from major international companies in their home markets, which puts pressure on local dominance, also exposes them to best international practice and encourages them to seek expansion abroad. In some cases, the proximity of large international companies has helped Irish firms to develop new and better business models that facilitate expansion abroad. In such circumstance, both Irish and Chinese entrepreneurs have adopted a more aggressive attitude to outward investment and to regulation abroad. Innovative excellence at home can be exploited abroad through acquisitions, joint ventures and direct investment only in a permissive transparent regulatory framework. This is particularly true for companies seeking a global reach in narrow product or service categories.

China may well feel that the achievement of market status has more to do with politics than economics but trade frictions will continue if regulators are seen to privilege state owned enterprises. In Ireland the government has also found it difficult to disengage from former state companies and the electorate has similarly been reluctant to accept some market decisions as outside political influence. Corruption and local protectionism at the provincial levels in china are also an inhibition to effective regulation that has resonances in Ireland. Though the scale is

different, the impact of local officials, national civil servants and politicians eliding the public interest with that of particular enterprises was at the core of Ireland's corruption scandal associated with the beef industry. At root, this and other incidences of corruption and localism arise from a failure on the part of politicians and regulation enforcers to administer with an "arm's length relationship" **[xl]**. In Ireland, reform has involved increased resources and training for enforcement officials, tribunals of enquiry and a change of public attitude regarding the economic and social impact of lax regulatory enforcement. **[xli]**

### 11.5 Conclusion

President Hu Jintao has made the promotion of good governance a key political priority and advocated a drive to build a "harmonious society". The fate of the Chinese Communist Party and its version of socialism are at stake. He has

rejected Western-style political reforms, warning that they would lead China down a “blind alley” but has identified prosperity and engagement with the global economy and something else as the *sine qua non* of the Party’s survival. Ironically, many of the same regulatory instruments that in liberal democracies have seemed necessary to sustain elected government in the face of a neo-liberal critique of their function are now central to the longevity of communism.

Any comparison of the Chinese and Irish experience of adapting to integration in the world economy must acknowledge the contrasting geopolitical realities of a global power and a small EU member state. The PRC is in a position to resist changes that are judged by its leaders as “interference” in its domestic priorities, the most important of which is preserving the current order in the face of rapid and intense social change. On the other hand, both China and Ireland have accepted the constraints of the major established institutions of western capitalism. Ireland has also faced the consequences of openness with the loss of some industries that were dependent on protectionist policies and the decline of others. China has been less willing to do this and still displays neo-mercantilist approaches to trade by, for instance, keeping its currency artificially low to raise its trade surplus and lower its costs of production relative to its competitors.

## NOTES

**[i]** G. John Ikenberry, “The Rise of China and the Future of the West: Can the Liberal System Survive?”, *Foreign Affairs*, January/February 2008.

**[ii]** Important exemptions: Christopher McNally (2007), *China’s Emerging Political Economy*. London:Routledge; Sebastian Heilmann (2005), *Das politische System der Volksrepublik China*. Wiesbaden:WV; Yang Dali (2005), *The Chinese Leviathan*, New York: CUP.

**[iii]** A law guaranteeing private property rights passed the NPC at the time of writing this paper. Although this might legally establish individual property rights, doubts on the enforcement of these rights remained well in place. See ‘Caught between right and left, town and country’ in *The Economist*, 8th March 2007.

**[iv]** See Minxin Pei, ‘Contradictory trends and confusing signals’ in *Journal of Democracy*, Volume 13, No 1, January 2003; Fred Bergsten (2006), ‘China’s Domestic Transformation: democratization or Disorder?’, in Fred Bergsten, Bates Gill, Nicholas R. Lardy, Derek Mitchell, *China: The Balance Sheet. What the World Needs to Know Now About the Emerging Superpower*. New York, pp40-72.

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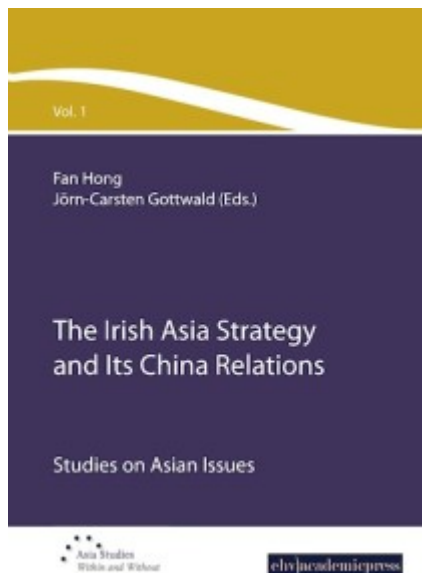
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## **Chapter 12: Ireland And The ASEM Process: The Case Of The Asia-Europe Foundation ~The Irish Asia Strategy And Its China Relations**



Ireland's Asia Strategy is also embedded in the context of the wider relationship between the European Union and Asia. The relationship has been dramatically transformed from one of European political and economic dominance to a partnership of equals". Dermot Ahern, Minister of Foreign Affairs, 2006.[i]

The inaugural Asia-Europe Meeting (ASEM)[ii] was convened in Bangkok, Thailand, in 1996, in a uniquely ambitious endeavour to build a multi-faceted platform where Asia and Europe could encounter each another in a modern context. This innovative model of engagement, with its emphasis on a flexible structure and informal dialogue, arose from a mutual recognition that the relationship between the two regions needed to be strengthened in light of the increasing interdependence in the economic, social and political spheres. The ASEM process as it has developed is based on an equal partnership and its activities are grouped into three pillars: political, economic and socio-cultural.

ASEM has its roots in the recognition in Asia and in Europe that the relationship between the two regions requires strengthening taking into account the growing importance of Asia and the integrating and enlarging Europe.

The three pillars of ASEM - political, economic, social/cultural/intellectual - have allowed for increasingly intensive engagement between the two regions since the outset of the process.

The process was driven largely from the Asian side with much of the initial impulse coming from Singapore. On the European side the push for improved interaction and greater co-operation came from the European Commission. Despite preoccupation with the implementation of the Maastricht Treaty provisions for the launching of the single currency programme, the European Commission responded positively and facilitated the inaugural meeting of the Heads of Government from the EU and East Asia in Bangkok. The fact of the meeting taking place was an important indicator of a readiness to engage more effectively in mutually beneficial interaction. Subsequent discussion between

officials from both sides set out tentative procedures to be pursued.

In the words of Kishore Mahubani, the Singaporean diplomat charged by his Government with the task of convincing the European and Asian Governments to join in the initiative to develop ASEM, the rationale was simple. “There were three major growth centres in the world: North America, East Asia and Europe. In this triangular relationship, the connection between North America and Europe was strong, so too was the transpacific connection between North America and East Asia. The missing link was the relationship between Europe and East Asia” **[iii]**. Three years into the process, a review of the progress by a Vision Group of eminent persons was initiated. The report of the Vision Group makes interesting reading; the Group saw

*“the gradual integration of Asia and Europe into an area of peace and shared development, a prosperous common living sphere in the 21st century, a sphere in which our knowledge, wealth, cultural heritage, democratic ideals, educational assets, intellectual aspirations are closely intertwined and exchanged without barriers or constraints. [The group] envision the active integration of our intellectual forces and a vibrant exchange of culture and the arts between Europe and Asia...[and] also visualise the progressive opening of markets with the eventual goal of free flow of goods and services by the year 2025” .***[iv]**

These ambitions stretch well beyond the conventional call for economic co-operation and friendly relations and reflect a deeper commitment to the development of civil links in the broadest sense. Implicit in the rhetoric is the hope for the globalisation of the social values that have characterised the European idea from the outset.

The Asia-Europe Foundation (ASEF) is the sole substantive institution of the ASEM process. ASEF was established in 1997 as a not-for-profit entity to function in accord with the ‘Dublin Principles’ agreed during the Irish Presidency of the EU in the second half of 1996. The Dublin Principles charge ASEF with promoting cultural, intellectual and people-to-people exchanges between the two regions. As one of the founding countries, Ireland has been a strong supporter of the ASEM process and ASEF. Ireland’s participation in the activities of ASEF has been an important element in Ireland’s Asia Strategy. ”**[v]**

### 12.1 *Contributing to the ASEM Process*

The overall strategy of the ASEM process is approved by the biennial meetings of

Heads of Government convened alternately in the EU and in Asia. The *political* dimension of the ASEM process is realised through an agenda determined by senior officials from the partner states meeting biannually, elements of the agenda being implemented by individual partner states. It is regrettable that the ASEM process itself does not have a basic secretariat even as the interaction expands and deepens and the process grows increasingly complex. The Vision Group identified the need for a point of co-ordination, a focus for continuity to ensure a continuing momentum in the ASEM process. The 'virtual secretariat' proposed at ASEM 5 in Hanoi in 2004 does not meet the need for effective coordination.

The principal element of the *economic pillar* of ASEM is the Asia Europe Business Forum (AEBF) which had its inaugural meeting in 1996 and is concerned with trade and investment. The Forum convenes annually, alternately in the EU and in Asia, with participation by experienced business persons from each of the partner states. Continuity in strategy and thinking between the meetings is, however, not helped by the absence of a secretariat. This inevitably leads to a lack of consistency and a lacuna in the follow up of agreed recommendations. The evident inadequacies of the present arrangements were identified by a core group of partner states which took the view in 2004 that the AEBF should convene biennially pending the putting in place of a 'lean' secretariat.

The *social/cultural/intellectual pillar* of ASEM is evident in ASEF. ASEF has a high quality secretariat in Singapore and is funded by voluntary contributions from the member states. With concentration on the younger people in the two regions, ASEF has put in place worthwhile programmes in accord with the Dublin Principles that can be seen also to fall in with the ambitions expressed by the ASEM Vision Group. The scope of the ASEF effort is small in relation to the evident need but ASEF has proven its worth and it is to be hoped that the experience of the first decade will prompt the ASEM Heads of Government at the ASEM 7 Summit in Beijing to seek a significantly expanded ASEF effort.

In the broader context, ASEM itself, being a non-statutory intergovernmental forum, seems to function in a largely informal environment with broad objectives relating to politics and administration, economic development through improved flows of trade and investment and enhanced social/intellectual/cultural exchange[**vi**]. The establishment of ASEF on a substantive basis within one year of the inaugural convening of ASEM was very important in reaching out to a wide audience and strengthening the interaction of the peoples of the two regions, in

particular the younger generations on both sides.

At its inception in 1996, the ASEM process brought together 26 partners, namely, the 15 EU member states and the European Commission, together with ten Asian countries (Brunei, China, Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, Thailand, and Vietnam). At the ASEM 5 Summit, 10 new EU members and three Asian countries become part of the process: Cambodia, Cyprus, Czech Republic, Estonia, Hungary, Laos, Latvia, Lithuania, Malta, Myanmar, Poland, Slovakia and Slovenia. The subsequent round of ASEM enlargement in 2007 brought in India, Pakistan, Mongolia, Romania, Bulgaria and the ASEAN Secretariat. Thus, ASEM's constituency increased to a total of 45 partners in a unique, informal structure which had the following key characteristics:

Informality (complementing rather than duplicating the work already being carried out in bilateral and multilateral fora);

- multidimensionality (devoting equal weight to political, economic and cultural dimensions);

- emphasis on equal partnership, eschewing any "aid-based" relationship in favour of a more general process of dialogue and co-operation, and;

- high-level focus, stemming from the ASEM Summits themselves.

Preparations for the ASEM 4 Summit that was held in Hanoi, Vietnam, in 2004, were co-ordinated by the Irish Presidency of the EU in preparing for the accession of 13 new countries, including Myanmar. The prospect of Myanmar's entry into the ASEM process created some tensions between European and Asian countries. Under the Irish Presidency, the EU formulated the following requirements to be fulfilled by Myanmar as the basis for proceeding with the enlargement of ASEM: **[vii]**

- The release of Daw Aung San Suu Kyi and leaders of all political parties.

The National Convention procedures modified and a time frame established.

- The National League for Democracy and other elected representatives allowed participate freely in the National Convention.

The EU also conveyed a determination not to attend the Hanoi Summit should General Than Shwe, the leader of the military regime of Myanmar, participate, causing ASEAN members to retaliate by promising to block the entry of the 10 new EU member countries into the ASEM process. A last-minute compromise was



reached with Myanmar agreeing to send a lower-ranked official to the meeting Myanmar was admitted into the partnership without addressing the EU's concerns fully. However, discussions regarding human rights violations in the country as well as other political issues continue.

## 12.2 *The Institutional Framework and Structure of ASEF*

The ASEM Intergovernmental Dialogue is marked by its ever-growing list of subjects covered. ASEF has been mandated by ASEM to respond to significant international trends and emerging policies as set out in the Millennium Development Goals of the United Nations (UN), growing environmental challenges and the Development Co-operation Instrument of the EU. It is noted that the mandate of ASEF is intentionally wide, so that it can be politically responsive to changes and able to adjust its functions in a flexible way.

The governance of ASEF is a shared responsibility between the Board of Governors (BoG) and the Executive Office which is managed by the Executive Director and the Deputy Executive Director. The Board of Governors determines ASEF's strategy, policies and priorities. It is responsible for the finance and budget of the Foundation and transmitting annual reports of its activities and finances to ASEM governments. The BoG is also responsible for the election of its Chair and Vice-Chair, the Executive Director and the Deputy Executive Director, as well as the appointment of any other Committee that it considers necessary.

Ireland's representative on the ASEF Board of Governors is Dr. T P Hardiman who succeeded the late Sean Ronan, the distinguished public servant and the former Ambassador of Ireland to Japan. Dr Hardiman, who has a distinguished record in the public and private sectors in Ireland, maintains a presence in various EU representative groups including those concerned with EU Asian relationships.

### 12.2.1 *Contributing to ASEF Activities*

ASEF has been mandated to organise a large number of seminars, workshops and activities in four core areas, intellectual exchange, cultural exchange, people-to-people exchange and public affairs. ASEF is involved from the conceptualisation to the implementation stages of the projects, often acting as the secretariat of the series/project and in other cases is also consulted and provides substantial inputs on the themes and topics for discussion, as well as on the selection of participants and speakers.

The *Intellectual Exchange* programme brings together representatives from civil society in its broadest sense, including the business sector, and government

officials to contribute to the creation of networks and to strategic thinking and policy debate on themes including international relations, environment, governance (including human rights, justice and democracy), and intercultural/interfaith dialogue.

The *Cultural Exchange* programme provides young artists and cultural professionals with a platform to encourage the exchange of techniques and the creation of networks and promotes cultural policy development in Asia and Europe.

The *People-to-People Exchange* programme strengthens youth networks, in particular among the next generation of leaders. Activities cover two main areas: educational exchanges, and cooperation and dialogues between youth and their organisations (e.g. Asia-Europe Young Political Leaders Symposium and Asia-Europe Young Entrepreneurs Forum. Cooperation and interaction between educational institutions, including those at third level, is increasingly featured in the work.

The *Public Affairs* programme provides publicity and press support for ASEF activities and seeks to raise public awareness of issues pertaining to Asia-Europe relations through media activities, such as television documentaries, public lectures, the use of the Internet (the ASEM Infoboard website), and the publication of newsletters and the high-quality academic *Asia-Europe Journal*.

In the past ten years of operation, ASEF has implemented over 310 projects, which have brought together more than 13,500 participants and reached out to an even wider audience in the countries of Asia and Europe.

To date, Ireland has contributed €520,000 Euro to ASEF's operating funds and has hosted nine ASEF projects, the most recent being the Asia-Europe Forum for Young Photographers 2007 held in Dublin (IADT Dun Laoghaire) and Cork (Cork Institute of Technology) in November 2007, the 22nd Asia-Europe Lecture Tour which brought Professor Kenneth Chan from Hong Kong to Cork (Irish Institute of Chinese Studies) in February 2008.

In addition, under the Asia-Europe Environment Forum the first lecture series includes Ms. Ella Antonio visiting Dublin in May 2008 to deliver a lecture at the Institute of International & European Affairs.

In addition, Ireland has made an important contribution to the program content and the management of ASEF. Peter Ryan, a diplomat with good experience in

Asia, was seconded in September 2006 by the Department of Foreign Affairs to the Executive Office at ASEF to take responsibility as Director of Intellectual Exchange.

### *12.3 Contributing to the Challenges Confronted by ASEF*

As highlighted in the 2007 ASEF Evaluation Report commissioned by the EC, "ASEF is moving to exploit its potential as an information hub, also giving visibility to and creating synergies with initiatives promoted by the EC and the other ASEM partners".**[viii]** Indeed, the impact of ASEF activity over the last 10 years can be measured through the thousands of participants who have attended seminars, conferences, workshops, summer schools, etc. Similarly, many thousands of readers have benefited from the books, journals, studies and papers produced for or as a result of ASEF-administered events.

#### *12.3.1 Visibility*

The 2006 ASEM 6 Summit held in Helsinki, Finland, highlighted the need to improve visibility and establish an effective communication strategy for ASEM. The visibility of ASEF is intrinsically linked to the ASEM process, and as such, ASEF has successfully developed highly managing since 2005, is a key official medium for the visibility of the ASEM process. There were some 40,000 visitors to the ASEM Infoboard website in 2007. However, more needs to be done if the Infoboard is to be the premier source of information on the ASEM process.

#### *12.3.2 Financial Sustainability*

Financial sustainability has been an area of concern for ASEF. Since its establishment, ASEF has struggled with unpredictable financial contributions from ASEM partners. The initial expectations that it would become sustainable through the establishment of an Endowment Fund were not fulfilled and were judged five years ago to be unrealistic. The EU enlargement in 2004 brought a consequential enlargement to 45 members in ASEM. Taking into account that the enlarged ASEM included many less developed states, Ireland has been active in promoting the funding of ASEF and has increased the annual Irish contribution to €100,000 Euro.

#### *12.3.3 Enlargement of the ASEM Process vis-à-vis the Expansion of ASEF Activities*

While the increased membership is significant - the recent accession of India, Pakistan and the new EU Members has raised ASEM's population by some 40%,

this is accompanied by a limited increase in resources (an estimated 20% from 2007 to 2009) which will present a challenge for the fulfillment of ASEF's mission. At the same time, ASEF is called upon to respond to new emerging themes in an increasingly complex global reality. Climate change, interfaith confrontation, the impact of media, the role of culture-related perceptions and identity all call for attention and reflection.. Furthermore, the dynamism marking today's world requires at times a swift response from ASEF to often unpredictable developments, as was the case with the "prophet cartoon" controversy in 2006.

ASEF's current plans seek establish the programmes/projects indispensable for ASEF's credibility vis-à-vis its highly diverse constituencies (policy makers, academics, youth leaders, media, artists, civil and business leaders.). This can be achieved through the reinforcement and creation of series, rather than one-off events, aiming at building networks of ASEM stakeholders.

Against this backdrop, ASEF is managing a long list of projects with limited staff. As of 2007, there are 37 permanent staff at ASEF, including six diplomats seconded by their respective Ministries of foreign Affairs.

#### *12.4 Conclusions*

Some key questions arise when examining the impacts and opportunities facing Ireland in relation to the ASEM process, in particular Ireland's involvement with ASEF.

##### *12.4.1 How can Ireland leverage on multi-national platforms such as ASEM/ASEF?*

The second phase of the Government's Asia Strategy specifically refers to the ASEM process and the opportunities which the various political level meetings offer for building links with Ireland's Asian interlocutors. This phase, from 2005-2009, sought to "maintain the momentum in strengthening our relations with Asia" and will maintain the strong focus on political level visits in both directions. The initial impetus for the wide-ranging strategy arose from the visit of former Taoiseach Bertie Ahern to China in 1998 when he was accompanied by a large business delegation. This visit was built upon by the exchange of State Visits between Zhu Rhonji and President McAleese as well as a sustained series of bilateral visits by Irish and Chinese Ministers and official delegations.

This year is a key year for the ASEM process due to, China hosting ASEM 7 in October following closely on the heels of the Olympic Games in Beijing. In support

of the ASEM 7 ASEF will organise significant events, which follow similar successful initiatives in Hanoi (2004) and Helsinki (2006);

- *Connecting Civil Society*; ASEF plans to organise the third in the series of its "Connecting Civil Societies" conferences as a side event of the ASEM 7 Summit on the theme "An Asia-Europe Dialogue on Economy and Society" to look at the critical nexus between economic progress and social development, continuing the tradition of building a sense of community among ASEM's key constituents. **[ix]**

- The Editors Round Table and the Model ASEM Summit for Youth. The Editors Round Table will be organised by ASEF's Public Affairs Division and will bring together the Chief Editors of leading newspapers in Asia and Europe. The Model ASEM Summit for Youth will be organised by ASEF's People to People Division and seeks to replicate the summit for young leaders involved with national and regional youth networks.

China has been an active supporter of the ASEM process which it doubtless views as part of its policy of "soft power" in the East Asia Region and its evolving role in multilateral organisations. ASEF has benefited from the active support of the Chinese authorities and the resulting myriad of partnerships with Chinese institutions and networks such as the prestigious Chinese Academy of Social Sciences, a partner in ASEF's Asia-Europe Environment Forum, the Chinese Foreign Affairs University which hosted an ASEF conference on Regional Integration in Beijing in November 2006 and the Chinese Institute of International Studies which has worked in close collaboration with ASEF in preparation for the ASEM 7 in Beijing in October. **[x]**

There is considerable scope for Ireland to leverage ASEM events in support of its policy objectives and in doing so help Irish institutions develop lasting partnerships with Asian members. There are a number of specific areas of interest amongst ASEM partners, where Ireland can play a leading role, the area of conflict resolution being an interesting example. In organizing the Asia-Europe Roundtable (AER) series together with the Friedrich-Ebert-Stiftung Office for Regional Co-operation in Southeast Asia, ASEF seeks to identify and share among key officials and civil society actors the best practices on solutions to common or contrasting problems in the area of conflict prevention.

The roundtable conferences typically bring together some nationals from the ASEM partners in a rich mix of participants from civil society as well as government ministries and inter-governmental multilateral institutions in Asia

and Europe. One such Asia-Europe Roundtable conference displays directly the leading role Ireland can play in specific areas, in this case conflict resolution. The 5th AER was held in Singapore last year on the subject of 'post-conflict reconstruction' - the two case studies examined were Northern Ireland and Aceh[xi].

#### *12.4.2 How can Ireland's Asia Strategy objectives be supported by closer engagement with ASEM and ASEF activities?*

The review of the first phase of the Asia Strategy recognised the importance of education links as a key to Ireland's future prosperity. However, the focus on education links extends beyond attracting increasing numbers of students from Asia - "The objective of promotional efforts is not only to increase the overall number of Asian students coming to study here, but also to increase and diversify the number of college-to-college links and cooperative arrangements in place".[xii]

The report also sets out ambitious targets to be achieved during the second phase of the Asia strategy, 2005-2009, which includes increasing the number of incoming students from priority Asian Countries from 5,500 to 14,000.[xiii] These expansive figures can be achieved through cross-regional co-operation offered in many of ASEFs existing extensive programmes organised to link European institutions with their Asian counterparts.

This vast educational exchange not only offer the chance for students to study in and experience life in Ireland but also offers Irish institutions important networking opportunities with Asian universities emerging in a unique and competitive new educational environment. For many Asians, education is the key to future prosperity - and the policies being pursued in the region are largely geared toward developing leading universities at home, thus reversing the traditional "brain-drain" to North American or European universities. Governments across Asia are devoting significant resources to the upgrading of their Third Level systems.

Increasingly, leading US and European universities are seeking wide-ranging alliances with their Asian counterparts - and this is not only because universities like Qinghua, Beijing, Fudan, Seoul National, the National University of Singapore and Atteneo de Manila Universities are the leading ones in their countries but because they stand high in world ranking. The rapid ascent of these universities contributed to the growth of East Asia - the World Bank estimates that "rising

education levels were also important, boosting Asian growth on average by 0.75 to 2 percentage points” **[xiv]** For these reasons, educational exchange between Ireland and Asia’s top universities offers significant opportunity.

In terms of increasing Ireland’s trade relations with Asia there is widespread agreement that the best way to realise these goals is through a partnership between the public and private sectors, drawing together all relevant networks and ensuring the best use is made of our resources. The private sector has an important role to play - “There is substantial potential to increase Ireland’s level of trade with Asia. In addition to increasing sales of computer, pharmaceutical, food and drinks products, Ireland should also be targeting growth in new emerging sectors such as medical devices and financial services. If Ireland does not move to exploit these opportunities, the business will simply go elsewhere. The Asian economies are set for enormous growth over the coming years and IBEC will be working closely with the Irish business sector to benefit from this. Irish exports of goods and services to Asia are now valued at around € 8.5 billion per annum but there is scope for increasing this above the € 10 billion mark over the next two years.

Over recent years the trade in services, including financial and computer services, have been over € 2 billion. New opportunities are constantly emerging in these areas and Irish companies must be able to take advantage of these.” **[xv]**

It is these opportunities in the Asian markets that will drive greater linkages between Ireland and the Asian region. Whether through the partnership of the AEBF or ASEF itself Irish interests in Asia have the chance to understand better the culture of the region and the process of cross-regional co-operation.

#### *12.4.3 How can Ireland’s profile be enhanced across ASEM members by engagement in the ASEM process and ASEF activities?*

The “EU through the Eyes of Asia” study is the inaugural project of ASEF’s European Studies in Asia (ESiA), initiated in 2005 to stimulate European studies in the Asian region by creating synergies and partnerships between European studies academics, institutions and networks. It attempts to rigorously and scientifically measure the media, public and elite perceptions of the European Union (EU) in Asian countries of the Asia-Europe Meeting (ASEM) process.

Phase I and II of the study were undertaken in China, Hong Kong, Japan, Korea, Singapore and Thailand from January 2006 to December 2007, in partnership with ESiA research teams at the National Centre for Research on Europe, Fudan

University, Hong Kong Baptist University, Keio University, Korea University, National University of Singapore and Chulalongkorn University. The final conclusions were presented in the new publication “The EU in the Eyes of Asia: Media, Public and Elite Perceptions of the EU in China, Japan, Korea, Singapore and Thailand”.

This substantial body of work has given the opportunity for both better-established as well as emerging Asian institutions to contribute meaningfully to European studies scholarship. It is not only a demonstration of European studies academic excellence in Asia, but also contains concrete recommendations for policy-makers in Asia and Europe. Thus, a timely and wide dissemination and distribution of copies of the book to targeted audiences in Asia and Europe is crucial.

A soft launch for the book was organised in late November 2007 on the occasion of the visit of H.E. José Manuel Barroso, President of the European Commission to ASEF in Singapore. Following that, ASEF successfully held a formal book launch in Manila, the Philippines, in December 2007, in partnership with the NCRE, the University of Warsaw and Ateneo de Manila University. H.E. Alistair MacDonald, Head of the EC Delegation to the Philippines, delivered a keynote speech at the event. Further publicity for this important study was gained from 22nd Asia-Europe Lecture Tour “The EU through the Eyes of Asia: The Case of China and Hong Kong” which brought Dr. Kenneth Chan from Hong Kong to Warsaw, Prague, Vienna, Budapest, Ljubljana and Cork in February 2008. Dr Chan delivered his lecture at the Irish Institute of Chinese Studies[xvi].

Raising awareness of Ireland in Asia is a key objective of the Asia Strategy and a wide range of activities have been undertaken towards this goal - inward media visits, familiarization tours, official level exchanges and cultural activities. By their nature, these projects have targeted specific sectors but, interestingly, there has not to date been a detailed analysis of awareness of Ireland amongst Asian elites.

One of the most effective methods of raising awareness of Ireland in Asia has been through cultural activities - a point recognized in the latest phase of the Asia Strategy - “there is complementarity between developing cultural relationships with priority Asian countries and the key trade promotion objectives”[xvii]. The reciprocal programme of cultural events organized with their Chinese counterparts by the Department of Arts, Sport and Tourism in 2004 was timely



and wide-ranging as was the special programme to mark the 50th Anniversary of the establishment of official relations with Japan in 2007.

The staging of “Riverdance” at the Great Hall of the People in Beijing, one of a few such western performances to take place at the venue, provided a unique platform for the showcasing of Irish music and dance culture. ‘Lord of the Dance’, a highly successful show in the same genre, played to capacity audiences in major theatres in Tokyo, Osaka, Singapore and Taiwan. These events were successful commercially and, as cultural exchange, were undoubtedly helpful in promoting an improved awareness and understanding of Ireland in the region.

An extensive range of projects by Irish artists and cultural performers, many of which have been supported by Culture Ireland, were successfully realised over the past few years. Interestingly, some of the largest Irish cultural events in Asia are organized by voluntary effort - 2008 saw over 20,000 attend St. Patrick’s Day Parades across the region - including for the first time in Beijing as part of a broader Festival of Ireland. These events are excellent vehicles for the promotion of Ireland’s economic interests as they provide a platform for the Irish private sector as well as agencies such as Tourism Ireland and Enterprise Ireland to promote Irish services. In Singapore, the event which is now just three years in existence, the focus has been on involving young Singaporeans and in 2008 the event had over 2,500 participants with a strong participation from the local education sector. **[xviii]**

The most successful annual event in Asia in raising the profile of Ireland is the Asian Gaelic Games which has been staged successively in the Philippines (1997 and 1998), Singapore (1999), Thailand (2000-2002), Hong Kong (2003 and 2004), Shanghai (2005 and 2006) and Singapore (2007). This event brings together young Irish, expatriate and Asians to play Ireland’s national games of football and hurling and demonstrates how Ireland can “punch above its weight” in Asia by leveraging the goodwill and enthusiasm of the Irish Community. There is also strong potential to further align events such as this with official Irish efforts to build closer links with their Asian counterparts.

A good example of how existing events might be leveraged was the Asia Ireland Business Forum which was organised in Singapore in June, 2007 to coincide with the annual Asian Gaelic Games. The event combined a strong networking element with a platform for the exchange of information between and amongst Irish

business people based in Asia, Ireland and public officials and agencies. The objective was to provide a unique networking opportunity for Irish business people operating across the Asia-Pacific region. The presence of Dick Spring, former Tánaiste and Minister of Foreign Affairs as the keynote speaker, gave a welcome and newsworthy prominence to the event. The day long meeting was preceded by a meeting of Irish Ambassadors based in the region and was sponsored in part by Enterprise Ireland and organised under the auspices of the Irish Business Association of Singapore[xix].

Drawing over 120 participants, the Asia Ireland Business Forum is likely to become a fixture in the calendar of the Irish business community in Asia and for those companies doing business with Ireland. The success of the event has also given the impetus to the setting up of an informal network of Irish business groups in the region to share resources and promote opportunities for collaboration.

## NOTES

**[i]** 1 Extract from a speech delivered at the Royal Irish Academy, reprinted in the Asia Europe Journal, June 2007.

**[ii]** ASEM partners are Austria, Belgium, Brunei, Bulgaria, Cambodia, China, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, India, Indonesia, Ireland, Italy, Japan, Laos, Latvia, Lithuania, Luxembourg, Malaysia, Malta, Mongolia, Myanmar, the Netherlands, Pakistan, the Philippines, Poland, Portugal, Romania, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Thailand, United Kingdom, Vietnam, the European Commission (EC) and the Association of Southeast Asian Nations (ASEAN) Secretariat.

**[iii]** Kishore Mahubani: The New Asian Hemisphere - The Irreversible Shift of Global Power to the East. Public Affairs 2008.

**[iv]** Report of the Vision Group - Ireland's representative was former Taoiseach Albert Reynolds.

**[v]** <http://foreignaffairs.gov.ie/home/index.aspx?id=25763>

**[vi]** A good reference for the first five years of the ASEM Process is available in "Asia-Europe, Do they Meet" by Michael Reiterer, a European Commission Official (published 2002). A more recent publication is a collection of essays edited by Peter Anderson and Georg Wiessala - The European Union and Asia published in 2007.

**[vii]** [http://burmaactionireland.org/pdf/autumn\\_2004.pdf](http://burmaactionireland.org/pdf/autumn_2004.pdf)

**[viii]** *ibid.*

**[ix]** Co-organised with the prestigious Chinese Academy of Social Sciences.

**[x]** Ireland was represented in these events respectively by Frank McDonald, Environment Editor of The Irish Times who served as European Rapporteur at the Shenzhen Asia-Europe Environment Forum and by Professor Dermot McAleese, Pro-Vice Chancellor of Trinity College, Dublin.

**[xi]** Willie McCarter, former Chairman of the International Fund for Ireland, presented at the June 2007. Roundtable in Singapore and highlighted the importance of building trust and understanding in conflict societies by focussing initially on economic development for mutual benefit. This was the theme of McCarter's article in the April 2008 edition of the Asia Europe Journal.

**[xii]** A Decade of the Asia Strategy 1999-2009.

**[xiii]** Priority Countries for education services are Malaysia, China, India, Korea and Japan - A Decade of the Asia Strategy 1999-2009 pp8-9. In addition the Centre for Irish Education in Singapore is actively promoting Ireland as a destination for students.

**[xiv]** World Bank Report 2007 "Global Economic Prospects".

**[xv]** Opening Doors to Asia - A Review of the Asia Strategy by IBEC, the Irish Employers' Organisation, February 2007.

**[xvi]** The event was co-organised by Professor Fan Hong, Director of the Irish Centre of Chinese Studies, UCC.

**[xvii]** A Decade of the Asia Strategy 1999-2009.

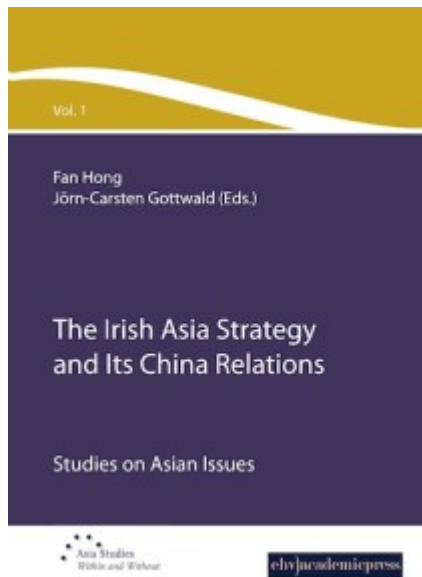
**[xviii]** In total, some 26 groups took part, including representative groups from most of Singapore's Third Level Institutions as well as schools with traditional links to Ireland through the work of Irish missionaries.

**[xix]** Irish Business Association of Singapore - established in 1992 and now with 120+ members. Website: [www.irishbusinessassociation.com](http://www.irishbusinessassociation.com)

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## **Chapter 13: Ireland's Unique Asia**

# Strategy - The Irish Strategy In European Comparison ~ The Irish Asia Strategy And Its China Relations



## 13.1 Introduction

Historically, Ireland's human and cultural links with Asia have been underdeveloped[i] The Irish Asia Strategy, launched in 1999, was designed to strengthen Ireland's ties with Asian nations. Until 2004, the fundamental aim of the strategy involved outlining a series of challenging targets and objectives, with a view to increasing Ireland's political, trade and investment connections with Asia. Several new embassies [ii] and consulates[iii] were founded in order to achieve this end, and there was a notable increase in trade-related and high-level political visits between Ireland and the continent. Efforts were also made to heighten awareness of the Irish national brand through a state-funded campaign. The first phase of the strategy resulted in the doubling of the average value of exports to China (2003-2005), compared to the trade statistics for the previous 3 years[iv]. Two-way trade between Pakistan and Ireland also increased: By 2006, exports to Pakistan were valued at € 67.8 million, and sales by Irish companies in Pakistan more than doubled over the last three years.[v] However according to the Irish Exporters Association's (IEA) annual report, 2005 exports to Asia fell by 1% to € 6.6 billion, with exports to Thailand and South Korea falling the most. Exports to Japan remained fairly static during this period[vi]. What about India and other Asian nations? Why only mention these nations?

The second phase of the strategy (2005-2009) has been designed to encourage Irish foreign direct investment (FDI) in Asian countries, and vice versa. "The objective at this stage of the strategy is to intensify the wider range of interaction with the priority Asian countries and to encourage indigenous Irish companies to avail of business opportunities there"[vii]. Sectors such as education, tourism and

R&D have been targeted as key sectors of the Irish economy where Ireland can attract investment from Japan, China, India, South Korea, Thailand and the Philippines. Enterprise Ireland's 2002 report indicates a stark lack of awareness of Ireland inside Asia[viii]. To counteract this trend, the Department of Arts, Sport and Tourism has established a new organization named Culture Ireland/Cultúr Éireann to promote awareness of Irish arts and artists abroad, as embedded in the second phrase of the Asia Strategy[ix]. Thus far, the success of phase two is difficult to judge. Exports to China and Hong Kong rose by 38%, while exports to the Philippines surged ahead with a 106% increase[x]. Following Japan[xi] and China, Singapore ranks as the third most important Asian market for Irish exports. The average value of Irish goods exported to Singapore per annum during the period 2003-2005 was € 792 million, up 25.9% on average annual exports in the previous three years, with the result that Singapore now accounts for 12% of total Irish exports to the Asian region[xii].

However in his 2007 article *"Irish Trade Statistics: Policymakers opt for spin and delusion rather than confront challenging facts,"* Michael Hennigan highlights that many of these trade statistics can be misleading. He illustrates his case regarding the aforementioned 106% rise in trade with Philippines, pointing out that "former US naval base north of Manila, at Subic Bay, is a major Asia-Pacific hub for FedEx, one of the world's biggest airfreight companies. Therefore shipments from Irish-based multinationals to Subic likely have ultimate destinations elsewhere in the Region"[xiii]. He also points to the fact that "foreign-owned companies account for about 87% of total exports from Ireland"[xiv].

This raises some interesting questions: Who does the Irish-Asia Strategy serve? Is it designed to promote Irish companies in the Asian Market, or to retain foreign companies in Ireland by providing them with logistic and marketing support in Asia, thus allowing multi-national companies to operate in Ireland while competing in the Asian market? Should Ireland try to compete in Asia and gain market share in these emerging markets, or should Irish companies only enter these markets to benefit from low-cost labour intensive manufacturing?

In order to gain some insight into these topics and approach these questions, we will first closely examine Italy's and Germany's relations with arguably the most highly-profiled Asian market, China, and explore whether Ireland can learn any lessons from our European neighbours' experiences. Both countries have enjoyed a long history of trade with China and both have dealt with China's rise as a

superpower in alternative ways; one cooperating with China in low-cost high-labour production through a lattice of industrial organisations; the other attempting to use China's growth to increase its percentage share of the world market. China by no means represents Asia as a whole. Each country in Asia produces its own opportunities and challenges, but it would be beyond the scope of this paper to analyse Italian and German trade history with each country in Asia. China however does represent a wide range of the opportunities, as well as a variety of the challenges, which are experienced by participating in business in Asia. And China clearly enjoys a very prominent position within the Irish Asia Strategy.

### 13.2 *Italy-China Relations*

Italy arguable provides one of the most interesting case studies when examining EU-Asia strategy strategies. Once known as the "Factory of Europe," how has Italian policy dealt with the booming Chinese dragon, which threaten its very economic livelihood? In order to examine this question, we will focus in particular on China's foreign relations with Italy, and we will see how Italy employs a starkly diverse strategy to that of Ireland.

#### 13.2.1 *Italy Reemerges from the Ashes in Industrial Style*

Italy's emergence from the post-war period during the 1950s and 1960s is considered one of the great economic miracles of that era. Many factors, including Italy's adoption of a number of open, neoliberal policies in both agriculture and industry, its close relations with the US which fed the country monetary aid and its membership of the European Coal and Steel Community (ECSC) from 1958 onwards, combined to bolster Italy's economy and recreate a prosperous nation. *Il miracolo economico* lasted from 1958 to 1963 and saw Italy's economy grow by circa 10% in 6 successive years. Although many European post-war nations went through such a phase of high-industrialisation during this period, Italy's *miracolo* displayed some markedly unique characteristics: mass industrialisation of areas that had been prevalently rural, such as Toscana, Emilio and Veneto[xv] and an unprecedented development of special "industrial districts"; "geographically defined productive systems, characterised by a large number of firms that are involved at various stages and in various ways in the productions of a homogenous product. A significant feature is that a very high proportion of these firms are small or very small" [xvi]. This system generally contains an organisational head (usually in the form of a

chamber or commerce or a leading firm within the district) and its structure promotes an industry-wide entrepreneurial mentality. The peninsula has given birth to hundreds of industrial districts over recent decades. Certain regions have become synonymous with certain products (e.g. Manzano is renowned for the manufacture of chairs, the Macerata/Ascoli Piceno area is known for its shoe production) ISTAT, Italy's official statistical bureau, identified 191 official industrial districts and 686 local areas with specific industrial district pertaining to that area in its 2001 census, [xvii]. Italy's vast, skilled and cheap workforce, combined with its new efficient industrial district model, associated with low-tech, medium-high quality goods, led Italy to become regarded as "The Factory of Europe."

However Italy's rapid growth in manufacturing alone proved unsustainable. The unprecedented development of the eastern tigers of Taiwan and South Korea in the 1960s and 1970s, and of China, Vietnam and others in the late 1980s and 1990s proved detrimental to Italy's industry. Cheap, mass labour in these emerging nations deflected investment away from Italy, which could not compete with "race to bottom" prices. This has influenced many countries' relations with Asia, but the flaws of Italy's industrial districts, once admired for their flexible and efficient production, became exposed: placing an entire region's production into one basket is risky. As industrial districts were hardest hit by eastern growth, we will see that these industrial zones, represented by their chambers' of commerce, dictate Italy's foreign relations with Asia, rather than the government (as in Ireland) or individual companies (as in Germany). We will now take a closer look at Italy's China strategy in order to examine this point more thoroughly.

### 13.2.2 *Italy's China Strategy*

Sino-Italian relations date back to the second century BC, *albeit* from afar until Marco Polo's published works in 1299 bridged the gap. Within one century, silk and goods were traded regularly between the two ancient empires, thus initiating an enduring bilateral rapport. In modern times, official relations between Italy and the People's Republic of China (PRC) began on 6 November 1970 [xviii]. Italy was one of the first European countries to recognise China as a country. Italy had the biggest Communist party in Western Europe at that time. Relations between the nations have been mainly concerned with commerce. Since 1970, Italy and China have signed over 100 bilateral agreements. Amongst these accords, economics and commerce take clear precedence, encompassing over 50% of the deals. Agreements on science and technology follow, trailed by pacts regarding

culture, politics and other matters[xix]. Thus far, the Italian government has tended to maintain a policy of non-interference regarding China's internal affairs. What, then, drives Italy-China bilateral relations?

China's emergence as "The Factory of the World" is considered the economic miracle of the modern era. Numerous factors including a vast, cheap labour force, improved physical and technical infrastructure and political and economic policies more conducive to international trade paved the way for this unprecedented development. The emergence of its formidable manufacturing sector has caused great animosity between China and its trading partners, as other countries struggle to compete with both the competitive and comparative advantages that China offers. Italy is no different, and many of Italy's industrial districts in particular have declined since the emergence of China as a manufacturing superpower. In recent years, we have also seen the creation of Chinese industrial districts[xx]. Once the powerhouse behind Italian manufacture, the Chinese have imitated this structure (as well as the goods that it produces), adapting it to many of its own industries, including some of those that compete directly with Italian industries (e.g. the chair district in Anji, the footwear district in Wenzhou, the textile district in Guangzhou). We can now see the creation of Chinese goods that almost equal Italian quality, but at a fraction of the price. This is crippling the manufacturing sector in Italy, leading to falling revenues and lay-offs throughout the industrial sector. Productivity as a whole is waning and "since 1999, the economy has shrunk by 4%,"[xxi]

### 13.2.3 *"If you can't beat 'em, join 'em"*

In order to counteract the distressing effects China's emerging economy has had, Italy's industrial districts have employed an "if you can't beat 'em, join 'em" strategy. While at home high-quality brand names, many of the leading firms in the Italian industrial districts have upped and relocated to China to take advantage of the cheaper labour and material costs. Other firms are buying out Chinese manufacturers (e.g. Luxottica, the leading firm in Veneto's optics industrial district, recently bought out Shanghai-run Modern Sight Optics). More significant however has been the emergence of a number of initiatives and trade associations, founded and run by the industrial districts and set up in order to boost relations and trade between the two countries. One such organisation is the China-Italy Chamber of Commerce[xxii]. This organisation liaises between Italian and Chinese firms, arranges partnerships and trade fairs for mutual participation and benefit and offers Italian firms market information in China. Many other



industry specific bilateral trade associations also exist. The construction of such associations has also led to a further new development: the creation of design and R&D centres in Italy on behalf of Chinese manufacturers, for example Geox and Red Dragon Fly, both leading manufacturers in the Wenzhou Shoe Industrial district, have established training and design centres in Italy. As such, the Italian industries are beginning to capitalise on aspects where they can out-perform the Chinese: innovation and design. This is becoming a common feature amongst the leading firms in numerous Chinese industrial districts. Trade is growing annually in both directions. ISTAT states that between 2000 and 2005, the value of the commercial exchange flows between Italy and China doubled, with an increase of 101.1% for imports and 93.5% for exports[xxiii] the importance of China as a trading partner has grown. In 2005, a total of 1.6% of all Italy's exports went to China. That figure comprises 3.8% of exports with extra-EU countries[xxiv]. In 2007, Italian exports to China climbed 11.9% over 2006 statistics. In the same year, Italian imports from China jumped 25.1%. This increased level of trade would not have been possible without the organisation and support of the newly established trade associations. What about cheap Chinese labor being enslaved in Chinese run sweatshops in Italy these days?

The culmination of Italy-China relations thus far led to "The Year 2006 of Italy in China," arranged due to the acceleration of relations between the two countries. This year-long celebration consisted of a wide variety of cultural and trade events throughout the year, demonstrating the mutual respect each country has for the development and gains created through trade. Although Italy has lost much, due to the onslaught of globalisation, Italian industry is beginning to push its own trade agenda and strategies, driven by its industrial districts and associations, in China and elsewhere.

Italy-China relations have thus far been heavily trade based. However, the signing of a bilateral defence accord in 2005, and the sale of arms from Italy to China, could prove to be a break in what we have seen so far. These proceedings indicate a shift from trade-orientated relations to political-orientated relations. As China emerges as a global superpower, it remains to be seen how Italy will deal with this challenge in terms of strategy and policy.

### 13.3. *German-China Relations*

German-Chinese relations have been characterized by economic fascination from their very beginnings. This assumption does not only apply to contemporary

relations between the Federal Republic of Germany and the People's Republic of China. In the 19th century German missionaries and merchants travelled to China long before diplomatic relations were officially installed. Prussia regarded imperial influence and economic benefits in Asia as a prestigious project and thus decided to promote private business interests in the Middle Kingdom.

### 13.3.1 *A stable course of trade promotion*

After the fall of the Soviet Union, the number of politicians who envisaged an opportunity for growth of the domestic economy and business in China, rather than a communist threat, increased rapidly. German Chancellors Helmut Kohl (1982-1998) and Gerhard Schröder (1998-2005) were seen as the "door openers for German business" in the People's Republic. Since bilateral relations had recovered from the consequences of the Tian'anmen massacre in 1989, economic forces have become the dominant factor of Sino-German policy. It is widely known that nongovernmental domestic actors (i.e. business representatives) influence China policy significantly. The Kohl government developed an Asia strategy in 1993 that was fundamentally a business-focused China concept with a few references to the rest of Asia Pacific. In the same year the Asia-Pacific Committee of German Business (APA) was founded by the Federation of German Industries (BDI), the Association of German Chambers of Industry and Commerce (DIHK) and the German Asia-Pacific Business Association (OAV) with governmental support. Fearing exclusion from China's rise and the increasing prosperous dynamics of the region, the original Asia concept underwent a serious makeover, under the chancellorship of Gerhard Schröder in 2001/2002[xxv]. Three concepts were designed to address different regions within Asia. Influenced by the post 9/11 situation, the new Regional Concept for East Asia emphasized the importance of security, development and human rights issues vis-à-vis economic goals. However, the true value of the concept can be disputed, although it served as a framework for various initiatives and campaigns developed by individual federal ministries in cooperation with the Chancellery and/or NGOs. One outstanding project is the German-Chinese Rule of Law Dialogue. This was initiated in 1999 as Chancellor Schröder and his Chinese counterpart, Premier Zhu Rongji agreed upon a closer bilateral cooperation, as China was facing WTO accession. Although mainly concerned with the legal aspects of business and administration, it was extended to include a human rights dimension. Further examples of bilateral cooperation are the Environmental Forum and the Dialogue on High Technology.

But all these initiatives and strategy papers could not dismantle the elementary conflict in Germany's policy towards the People's Republic of China: if, and how to reconcile the normative imperative of the German Constitution to advance Human Rights and Democratisation with the incentives set by China's fantastic economic rise. Consequently, the behaviour of leading German politicians oscillated between cheap salesmanship and over-ambitious human rights activism. Critics have frequently highlighted that the German-Chinese Rule of Law Dialogue only served the objective of placing human rights issues on a less prominent diplomatic track while business interests and trade promotion remained the Chancellor's priorities. Initially, when the Red-Green government came into power in 1998, first indications pointed to a strong affinity towards human rights activism. But after NATO aircraft accidentally dropped bombs on the Chinese embassy in Belgrade, Schröder had to dedicate his first state visit in Beijing to crisis management, and became an admirer of China's fast-track modernization soon after. Thus, Red-Green policy towards China soon degenerated back into trade promotion with some fig leaf support for societal co-operation. Surprisingly, neither the Christian Democrats under Helmut Kohl nor the Social Democrats under Gerhard Schröder had been willing or able to promote human rights as strongly as they promoted foreign trade. For both chancellorships, it is obvious that nongovernmental actors (i.e. business advocates) exercised significant influence on governmental China policy. The former CEO of Siemens, Heinrich von Pierer, served as a government consultant for both Chancellors. Von Pierer - whose corporation has gathered Chinese experience and expertise since the late 19th century - along with other representatives of German based transnational companies (e.g. BASF, Volkswagen) have always been part of chancellors' delegations when visiting China. The accumulated power of the Asia-directed business lobby in Germany is represented by the Asia-Pacific Committee of German Business. Its seminal role does not solely derive from the financial power and the lobbying experience of its member institutions, but also from the reputation of the association's first chairman, Heinrich von Pierer.

### 13.3.2 *From nuances to discontinuity*

Enter the new *Bundeskanzlerin*. In 2005 Angela Merkel became Germany's first female Chancellor. Heading a Grand Coalition of the Christian Democrats and Social Democrats, little change was expected concerning China policy. However, 2006 brought significant changes to German-China policy. Von Pierer stepped

down as the APA's chairman and Angela Merkel prepared for her first state visit to China. Merkel's trip to Beijing in May 2006 pushed expectations to new heights after winning public approval for her elegant handling of sensitive issues when visiting George W. Bush and Vladimir Putin. Open indiscretions of her entourage indicated the new Chancellorette was not about to ignore disputes and the issue of China's authoritarian policies, but to make the best possible use of the firm fundament of bilateral relations by approaching the Chinese Leadership in a more open and down-to-earth style. Obviously, the announcement that Merkel was going to meet with dissident social researchers Chen Guidi and Wu Chuntao, and with the Shanghai archbishop Aloysius Jin sufficed to disconcert the Chinese leadership. In 2007 Merkel went even further. She received the Dalai Lama at the Chancellery and conducted private talks with the spiritual Tibetan leader. This meeting with the Dalai Lama - who is regarded as a separatist by the Chinese government - was in significant contrast to the official 'One-China-Policy' and Germany's traditional stance of trade promotion.

### 13.3.3 *Change through policy entrepreneurship*

In the late 1980s Nancy C. Roberts and Paula J. King specified the work on political Entrepreneurship[xxvi]. A policy entrepreneur, in general, was seen as an actor who introduces innovation to the public sphere, someone who generates, translates and implements new ideas. If this individual is an elected government leader he or she is called a *political* entrepreneur. If someone outside the formal governmental system has their innovative ideas implemented they are known as policy entrepreneurs. Thus, it can be stated that Angela Merkel - as a *political* entrepreneur - has brought significant change to the bilateral German-Chinese relations resulting in growing discontinuity and tensions between her Foreign Minister, Social Democrat Frank-Walter Steinmeier. The times when *policy* entrepreneurs from the business sector (such as Heinrich von Pierer) influenced government policy are not necessarily over. Nonetheless, a shift from a business-driven China policy to a more emancipated advocacy which confronts human rights has become obvious throughout Angela Merkel's chancellorship thus far. In 2006 her firm insistence on human rights issues could have been downplayed as a minor change in policy, a nuance. In 2007 Ms Merkel proved how serious she is about dealing with China when she actively upset Beijing by meeting with the Dalai Lama. As a consequence the Chinese decided not to attend the 2007 symposium of the Rule of Law Dialogue in Munich. So far, a more open and confrontative attitude towards the Chinese leadership has not inflicted any harm

on the bilateral economic exchange. A pragmatic approach indicates that neither China nor Germany will eventually risk mutual economic benefits on the long run. But Ms Merkel's gestures have definitely upset Beijing. Whether or not this new emancipated German policy will be accepted by Beijing or – in the worst case – bring China's focus to other European partner's remains to be seen.

#### 13.4. *Ireland-China Relations*

*Where is the link with the Strategy / Ireland's China policy?*

Sino-Irish relations have enjoyed smooth progress since the establishment of bilateral diplomatic ties in June 1976[xxvii]. China has become incrementally more important to Ireland in recent years, not merely due to the economic rise of China as a superpower, but also due to the rapidly growing Chinese community in Ireland. During a speech given at Tsinghua University, Beijing, *An Taoiseach*, Mr Bertie Ahern TD stated, "After my visit in 1998, I authorized the elaboration of an Asia Strategy, with a particular focus on China." [xxviii]

##### 13.4.1 *Sino-Irish Trade*

By 2001 figures indicated that trade between Ireland and China has grown significantly stronger since the Asia Strategy launch. In 2000, exports from Ireland to China showed a 40% increase on 1999 figures, and imports showed an increase of 37% since 1999. China, including Hong Kong, was Ireland's 13th largest export market in 2000, and eighth largest source of imports[xxix]. Some groups, such as Finfacts, an online Irish business magazine, claim that "foreign-owned companies in Ireland have been responsible for most of the increase in trade with China and decisions regarding the destination of their exports are generally not made in Ireland. It simply has little to do with the 'Asia Pacific' strategy," [xxx]. However, China lies on top of Ireland's agenda regarding the development of opportunities in Asia. Enterprise Ireland's 2002 report claimed that "in the past four years, there has been a significant growth in the number of Irish companies that are visiting, doing business and have representation in China," [xxxi]. They highlight a number of opportunity sectors for Irish companies including software, telecommunications, aviation services, process control and instrumentation, electronics and engineering, food and food ingredients, as well as international consultancy and services in areas ranging from education and training to international finance[xxxii]. Both governments have worked together in an attempt to encourage growth between the two countries. In 2005 a number of bilateral agreements were signed by the states, including Inspection and

Quarantine of the PRC and the Department of Agriculture and Food of Ireland on Veterinary and Health Requirement for pork to be exported from Ireland to the PRC; the Memorandum of Understanding on Cooperation in the Field of Software between the Ministry of Commerce of the PRC and the Department of Industry, Trade and Employment of Ireland; the agreement on Cooperation between National Natural Science Foundation of China and the Science Foundation of Ireland; and the Agreement of Cooperation between the China Council for the Promotion of international Trade and the China Chamber of International Commerce and the Chambers of Commerce of Ireland. The two education ministries also signed the Joint Declaration on Mutual recognition of Academic degrees in Higher Education[xxxiii]. These agreements have helped foster an environment where both countries can benefit from investment in software, education, culture, environmental, protection, tourism and services[xxxiv].

The result has been a growth in Irish companies doing business in China. Building materials giant CRH have bought a 26% stake in Jilin Yatai Cement, a company located in northwestern China. CRH is the only foreign-owned cement company in the region[xxxv] Airtricity, the wind farm group, have made inroads into China after becoming China's first foreign renewable energy company. It now produces 10,000 MW of energy per annum, with a further 7,000 MW to come on line shortly[xxxvi]. Bord Bia has also highlighted the success of dairy products, for which China has surpassed Japan as Ireland's most important export market in Asia. Currently Ireland's dairy exports to China are valued at € 40 million per year[xxxvii]. China's market for dairy products is predicted to double in value to € 25 billion by 2010, and Ireland hopes to create a strong market share here. Aidan Cotter, CEO of Bord Bia claims, "As a major producer and exporter, Ireland is well positioned to supply China's growing demand. The Chinese Government has a stated aim of encouraging the consumption of dairy products and we are keen to work to meet this demand. Ireland is a highly developed supplier of dairy products which are solutions orientated. We can and will be the 'successful ingredient' for the Chinese market"[xxxviii]. Domestic heating giants Glen Dimplex, property developers Treasury, mobile software developer Puca, Industrial diamond processor Element Six and online recruitment agents Shanghaijobs.cn have also been hailed as Irish success stories in China. These enterprising Irish companies have helped to fulfil Minister Martin's image of "Ireland's knowledge-based economy, built on innovation and technology, which are substantially shaped by the emergence of strong technology-led and export-

focused Irish companies.” Speaking at the China Focus conference held at University College Cork in 2006, Martin said that these Irish companies “have become world leaders in their respective industries.”

#### 13.4.2 *Ireland vs. China: Attaching FDI*

Irish companies have gained ground on creating a market share in China. However one of the major fears is that many of the multinationals located in Ireland will move production to China, taking with them jobs and investments, which are needed to sustain the Irish economy. FDI flows into Ireland have decreased each year for the past 3 years. This was particularly worrying as global FDI flows had increased by one third in 2006, rising to an all-time high of US\$ 1.23 trillion[xxxix]. FDI inflows to South, East, and South-East Asia, including Oceania, reached a new high of US\$ 165 billion in 2005, a 19% increase over 2004. According to UNCTAD’s report, China was again the largest recipient of FDI in the region[xl]. Groups such as Finfact have tried to link the loss of 32,000 jobs in the manufacturing sector in recent years, with a surge in the focus of multinationals on China and India[xli]. However, there is no overwhelming evidence to suggest that there has been a large loss of FDI generated jobs in Ireland, and even less proof that these jobs have been lost to China. However Asia is increasingly attracting “high-quality” FDI aimed at high value-added and knowledge-intensive activities. Companies such as Intel have been expanding assembly and testing facilities in China and Malaysia. A more worrying trend is developing where Irish domestic manufacture have moved their production bases to China, as well as other East Asia states. This trend has been encouraged by the Irish Exporters Association, who state that they will “assist...Irish companies to move their low value added manufacturing to China. The establishment of outsourcing partnerships can help Irish companies remain competitive as Irish industry moves up the value chain.”[xlii]. Although this is a very clever way of counteracting the affects of the growing cost of doing business in Ireland the result will be a sizable lost of employment, which will have long-terms consequences on the Irish economy.

#### 13.4.3 *The Growth of the Irish Education and Tourism Industries in Asia*

As a small island nation, Ireland has a long tradition in the education and training of international students. In the golden era of Irish monastic settlements, scholars came to study in Ireland from all over Europe[xliii]. In modern times Ireland has

attempted to become a high-tech, business-friendly country with competitive and innovative companies. For this to become a reality Ireland must attract world-class graduates. Education is one of the main forms of Chinese investment in Ireland. The Chinese Embassy estimates that there are approximately 30,000 Chinese people in Ireland, 3,000 of which are students studying in many different types of third level institutions[xliv]. However, population estimates using work permits, visa data and residency figures puts the Chinese immigrant population at about 60,000 members[xlv]. Estimates in the media have ranged from 60,000 to 120,000. These figures are clearly inflated, but demonstrate the lack of knowledge surrounding the Chinese community in Ireland. A significant percentage of the community is students. The Garda National Immigration Bureau recorded 31,338 student visas in 2004, of which 15,933 were issued to students coming from China[xlvi]. “Chinese students with a postgraduate qualification are likely to be high calibre researchers...They can normally complete their PhD in less than three and a half years, with four to eight peer-reviewed papers published in international scientific journals,”[xlvii]. Irish colleges and universities are now finding it more and more difficult to facilitate the increasing number of Chinese students studying in Ireland and to retain the current high-quality undergraduate and postgraduate students on completion of their studies. Sun points out “because of all the difficulties they encounter, Chinese postgraduate students often leave Ireland and move to Canada, the USA or the UK when they finish their studies. Some students even leave without finishing their courses or research. The experience of the last few years in the Departments of Civil Engineering and Agricultural and Food Engineering in Earl’s Fort Terrace (UCD), is that two of our postgraduates have gone back to China, four have emigrated to Canada, one went to the USA and one is now in the UK”[xlviii].

Visas are considered to be the biggest problem for Chinese people’s development in Ireland, and were the cause of the majority of the problems[xlix]. Many students choose to study in Ireland because Ireland is an English speaking country, and entries-visa and tuition fees are relatively cheaper than in the UK and US[l]. However once in Ireland, most Chinese students experience problems with their visa at some stage during their stay. “Problems may arise as a result of students not knowing about the registration process, having insufficient money in their bank account, or not yet having a permanent address at the time of registration. Sometimes students don’t receive their ‘Green Book’ and sometimes they forget to extend the residence period at the appropriate time”[li].



After students come to Ireland, they must register with the Immigration Office to get a one-year residential permit to live in Ireland, and they must renew this permit every year. Nowadays even registering with the office is a difficult task. Students must get up at 5 o'clock or earlier to join the queue outside the Immigration Office [lii]. Students who want to make the most of their time in Ireland often want to use college holidays to travel in Europe. "Getting visas can be difficult: Chinese students do have a hard time getting visas for certain countries... it can sometimes take up to six or eight weeks... a re-entry visa is also required to return to Ireland," [liii]. Re-entry visas can cost up to € 100 and are an unnecessary cost as a Garda immigration card should provide enough proof that a student holds a valid Irish visa. "Students will have to go abroad for conferences or holidays, or they have an urgent reason to return to China near the expiry date of the permit. They must have a re-entry visa to come back to Ireland to continue their studies, and a re-entry visa will not be issued near to the expiry date of the residence permit. In this situation, students cannot go abroad, no matter how urgent the situation is. Otherwise, they will have to apply for a re-entry visa in a third country and the very lengthy visa application process begins again" [liv].

Chinese Students also have problems arranging visas for their families or spouse. "Generally speaking, it is impossible to arrange for students' wives or husbands to join them in Ireland, as almost all visa applications of this kind seem to be automatically refused. Although it is possible to get a short-stay visiting visa, this kind of visa is not renewable," [lv]. This makes it socially difficult for Chinese students to stay in Ireland, and may become a barrier for potential Chinese students if the visa problem becomes common knowledge in China.

The Irish visa system also becomes a problem when Irish universities attempt to retain top graduate students from China. The immigration status severely limits Chinese people's freedom. They cannot apply for jobs freely because of the work permit system [lvi]. "Feeling foreign" is also institutionally radicalised and enforced. For example, Ying Yun Wang found in her research that members of the Chinese community in Ireland felt they do not have the same freedom in applying for jobs as other foreigners, as they are from outside the EU, [lvii]. She suggests that those who have studied here for over three years and have completed a third level degree should be able to remain on a professional working visa to gain work experience and contribute to the Irish economy [lviii].

Visa difficulties are not only a problem for students: Chinese business people also face similar problems. Commercial workers wishing to travel to Europe to do

business will often try to take in a number of European countries in the same trip. To travel to Ireland during this voyage, they are required to obtain an extra visa, as Ireland is not a member of the Schengen Agreement. The extra expenditure in terms of money and time caused by Ireland's visa system will add to the already high-cost of doing business in Ireland. A similar barrier acts as an impediment for the growth of tourism from China to Ireland, an area the Asia Strategy is hoping to develop.

#### 13.4.4 *The Need for a Closer Cultural Relationship*

"Fostering a better understanding of Asia and its peoples is important to the development of sound economic and trading relationships" [lix]. There is a lack of awareness of Irish culture in China. Many Chinese people have little knowledge of Ireland often confusing it with Iceland or simply considering it a part of the UK. One of the Chinese students interviewed by Ying Yun Wang stated, "I had no idea about Ireland. I only knew that in Ireland it rains a lot and Irish people speak English" [lx]. This creates a problem when trying to market Irish products, as they will be stigmatized as a UK product and their unique selling points will be lost. The government has made some efforts to create an awareness of Irish culture in China by setting up a new organization, Culture Ireland/*Cultúr Éireann*, to promote awareness of Irish art and artists abroad, through the Department of Arts, Sport and Tourism [lxi]. Irish business people have also played their part in promoting Irish culture in Asia, and in China in particular. The Asian GAA Games held in Shanghai and Asia-Pacific Ireland Business Forum in Singapore were notable efforts by the Irish business community to increase the awareness of Ireland in Asia. Former *Tánaiste* and chairman of Fexco and Altobridge, Dick Spring stated "the real value in this forum is that there are very few of us [Irish business people] in contact with half the world's population in Asia, so you've got to maximise your resources. There is a huge resource of experience here in Asia across a spread of categories" [lxii]. These events help pool together the knowledge and experience of the Irish community in Asia and aim to raise Ireland's profile in Asia. Although knowledge of Ireland among the Chinese public is still far from the acceptable levels that would be needed for the successful development of Irish products, it seems that positive steps have been taken to change that situation.

While there is generally a good knowledge and awareness of China amongst the Irish public, there is a severe lack of in-depth knowledge of the Chinese language

or culture. Few Asian languages are offered by third-level education in Ireland, with Japanese being the only Asian language offered at second level. In recent years the government has made efforts to improve this situation by opening the Irish Institute for Chinese Studies (IICS), which consists of two sister institutes; one located in University College Cork the other in University College Dublin. The IICS has been established to provide Chinese language opportunities and cultural training for students of Irish universities. It is hoped that these institutes will produce Irish students who can help Irish companies gain great market share in China and raise the general awareness of China in Ireland. Plans are already in place for the establishment of an Institute of Asian Affairs by the Irish Government [lxiii], which will produce students with the skills required to work in different Asian markets. However the success of these institutes will be basic, not only in producing students with the necessary languages, but also producing research which will be useful in achieving the goals of the Government's Asia Strategy and which will provide valuable information for Irish companies operating in China and other Asian countries.

#### 13.4.5 *What Ireland can Learn?*

Again, you might want to concentrate on three or four basic dilemmas/ areas/ issues to draw the comparison?!

Both Germany and Italy have enjoyed a long history of interaction with China. Both have also been heavily involved in China since before Deng Xiaoping's modernisation. However Germany and Italy dealt with China's rise in very different ways. Italy initially attempted to compete with China in terms of labour intensive manufacturing, but in the end they began to employ an "if you can't beat 'em, join 'em" strategy, which involved moving some of their low value added manufacturing to China while co-operating with the Chinese through trade organisations, and exploiting their own competitive advantages in innovation, design and R&D in Italy. This has been driven by industries represented by chambers of commerce and entire industrial districts. However, the result has involved the closure of many plants in Italy's industrial districts and the loss of employment in these areas. Of course many design and R&D jobs have been created in their stead. Nevertheless, far less people are employed in R&D and, as Chinese companies hope to develop and expand their own R&D departments for high-quality goods in time, it is unclear how long Italian R&D will remain viable. On the other hand German's China policy has been driven by nongovernmental

domestic actors (i.e. business representatives) who have influenced Germany's China policy. Large German companies influenced early German foreign policy in such a way that it allowed access to China's market, both in terms of selling products to the Chinese market and setting up Sino-German joint-ventures and moving low value added manufacturing to China. This has allowed German companies to become major players in the Chinese market. However, for this strategy to be successful it requires both government and business to work in tandem. If the German government begins to prioritize human rights, Tibetan independence and Taiwanese secession over fostering a good business relationship with China, then German companies may experience a colder climate in the Chinese marketplace. Sino-Irish relations, however, have been strongly driven by bilateral governmental exchanges rather than by large businesses wishing to expand into China, or small and medium businesses and trade associations, which fear the rise of China may drive them out of business.

The long history of relations between China and both countries has left a general awareness of German and Italian culture or national image/brand in the Chinese market place. This gives these countries a distinct advantage in the Chinese market: Products from Germany are considered to be well-engineered and highly efficient, while Italian products are considered to be stylish and well-designed. Ireland does not have this historical legacy with China. British rule in Ireland until 1922, successive Irish governments with an anti-communists mindset and a lack of interaction with PRC during the early years of the reform era has ensured low levels of awareness of the Irish national brand in China. In turn this has created a situation where this national brand is often associated with the British national brand. Both Germany and Italy have taken steps in order to ensure their products remain in the public eye in China. However having a high-profile can also be a mixed bag: Italy took positive steps with the Year of Italy in China, which helped maintain Italy's high profile in China. On the contrary, German chancellor Angela Merkel's meeting with the Dalai Lama may have damaged Germany's profile in China. A positive national brand is particularly important in sectors such as education and tourism, which have been highlighted as key sectors in the Irish Government's Asia Strategy, as these sectors rely heavily on people's perceptions of the quality of the product they are purchasing.

### 13.5 *Recommendations*

Having scrutinized the problems concerning Ireland's existing Asia Strategy, and

having examined the experiences of our European neighbours' relations with China, we now recommend that the following steps be undertaken to improve Ireland's relations with Asian nations:

- An overhaul of the Irish visa system to allow Chinese students and businessmen easier transit to and from Ireland and continental Europe. The abolishment of the re-entry visa would be a necessary part of that reform.
- The creation of greater incentives for high-quality undergraduate and postgraduate students from Asia to stay in Ireland in order to help create and sustain a knowledge-based economy in Ireland.
- A heightening of awareness of Ireland and Irish culture in China, as well as other Asian countries, must become a top priority for Ireland's governmental departments of trade and enterprise, foreign affairs, and arts and culture.
- An increase in the number of students with the skills required to work in the Asian market, which would help fulfil the government's Asia Strategy. An Institute of Asian Affairs would be needed if these students were to be produced. This institute would be required to produce research that will help the Irish economy benefit from Asia's rise.

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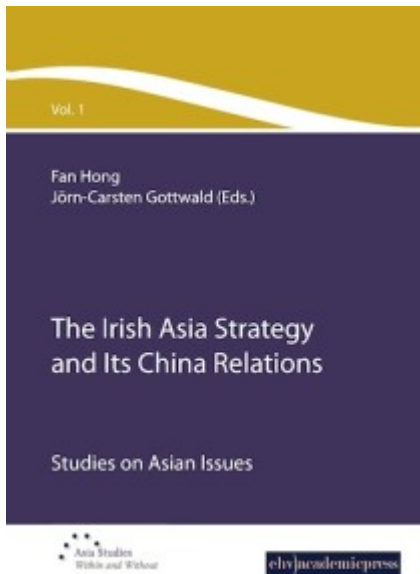
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## **Chapter 14: Ireland, China And The EU - Foreign Policy In A Europeanised Context ~ The Irish Asia Strategy And Its China Relations**



### 14.1 *Introduction*

The ever-expanding economic and political strength of China has garnered high levels of interest from the heads of the European capitals, including Ireland, over the past decade. Over the past decade or so, a series of programmatic policy papers from the EU and bilateral agreements have established an increasingly institutionalised relationship. From the European perspective, China has provided a test of European strategy of constructive engagement, with the EU being characterised as a civilian, normative or soft power. Where, then, does Ireland fit into this

framework? Since the early 1990s, Ireland has increasingly sought to engage China as part of its wider Asia strategy, which has involved meetings with heads of state, diplomatic conferences, as well as bilateral political dialogue on issues such as environmental protection, human rights and education policy. From these emerged one of the the most significant policy documents with regards China in Irish history, the Asia Strategy. This document laid out plans for business agreements, economic benefits and cultural dialogue between the two countries. It has been one of the most successful policies in relation to China and its relations between a member of the EU since 1985. In order to assess the relationship between Ireland and China, the wider context of EU relations with China must first be assessed. It will then become possible to understand the ever-growing relationship between China and Ireland on the individual level.

### 14.2 *EU - China Relations: A Brief Overview*

What is now called the European Union first officially recognised the government of the People's Republic of China as the legitimate government of China in 1975 and concluded its first bilateral trade agreement in 1985. Since the 1980s, the European Union has developed its long-term relationship with China based on political, social and economic developments[i]. This has involved numerous diplomatic and political meetings and agreements that have included the signing of a Trade Agreement on April 3 1978, an EC-China agreement on textile trade signed on July 18 1979 and the creation of a delegation of the European Commission in Beijing on October 4 1988. However this relationship was not always as amicable as initially invisioned. Following the June 4 1989 incident in Tiananmen Square, relations cooled between the two, with the EC imposing a

number of sanctions on China, including an arms embargo<sup>[ii]</sup>. It was not until October 1990 that the Council and European Parliament decided to gradually re-establish bilateral relations with China.

There was not much significant political activity between the two until the EU-China Energy Dialogue that was established in 1994 and as a result bilateral relations expanded at a rapid pace. In June of that same year a new bilateral political dialogue opened between the EU and China. This was accompanied, on July 15 1995, with the publication of the European Commission's first official communication on China entitled 'A Long-Term Policy for China-Europe Relations'. Increasing relations resulted in the creation of a Dialogue on Human Rights issues, which was released in January 1996. In 1998 the next official Communication was released by the European Commission entitled 'Building a Comprehensive Partnership with China'. One of the most important bilateral agreements took place on May 19 2000 with China concluding a market access agreement with the EU, which was an essential milestone in China's WTO accession process. The EU has opened its markets to China, since then, because of the benefits to its citizens as well as to obtain reciprocal market access. It has also used this as a way of promoting economic and political liberalisation within China. 2001 saw the European Commission publishing the Communication 'EU Strategy towards China: Implementation of the 1998 Communication and Future Steps for a more Effective EU Policy'. This was followed by the March 1 2002 European Commission China Country Strategy Paper 2002-2006. On September 10 2003 the European Commission adopted a policy paper entitled 'A Maturing Partnership: Shared Interests and Challenges in EU-China Relations'. This was followed, on October 13 of the same year, with China releasing its first ever policy paper on the EU. In March 2004 the European Union becomes the biggest trading partner of China, with China becoming the second largest trading partner of the EU. In February 2005 the first ever EU-China Financial Dialogue meeting was held. On March 20 2006 the first ever EU-China bilateral consultations with a focus on Climate Change Partnerships were held. October 24 of that year saw the Commission adopt its Communication entitled 'EU-China: Closer Partners, Growing Responsibilities', as well as a policy paper on trade and investment. Over the years the EU has become one of the most significant trading partners of China.

At present, there are over 24 policy areas that are subject to regular meetings

between the EU and China[**iii**]. In official declarations, the relationship has been described as being ‘maturing’[**iv**], ‘comprehensive’, ‘strategic’[**v**] and ‘global’[**vi**]. The EU is supporting dual track meetings in the context of the ASEM process and within the bilateral relationship that has developed between itself and China. In responding to China as an emerging global superpower, the EU seeks to shape China’s international behaviour and domestic evolution based on EU norms and values. In addition to the official agenda of supporting the integration of the PRC into global politics, the EU is now also pursuing an agenda that is trying to change Chinese exceptions and behaviour. From the EU’s perspective, supporting China’s reform process turns into a subversive strategy to change China’s political and economic system. Although the EU has had a long-term relationship with China, Ireland has become somewhat of a significant player in its own right. This relationship culminated with the development of Ireland’s Asia Strategy 1999-1990.

### *14.3 Ireland’s China Strategy*

China’s rise has been seen as the world’s challenge, but as an opportunity for Ireland. Since the early 1990s Ireland, in the context of its wider Asia strategy, has increasingly sought to engage China in economic, political and social arenas. Ireland slowly began to strike up its own political rhetoric with China, separate from the EU, and in November 1996 saw the first meeting between Irish and Chinese heads of government, which took place between Premier Li Peng and Taoiseach John Bruton at the World Food Summit in Rome. The second meeting took place in 1998, at London’s Asia-Europe Summit Meeting, between Taoiseach Bertie Ahern and President Jiang Zemin and Premier Zhu Rongji[**vii**]. Ever since then relations have been growing at an ever increasing rate. Ever since then Ireland has been slowly building its levels of expertise on both the public and private sectors of China.

The government of Ireland first identified the need for a strategic approach to the development of trade relations with Asia in 1998. This was greatly influenced by the fact that in the future Asian countries, especially China, will have a strong influence on political and economic developments throughout the world. As a result, the Irish government decided to create a formal link between the two through which both the public and private sectors could work cooperatively. This, in turn, would enable them to realise the economic and political benefits that these linkages with Asian countries can offer. As a result, in 2004, the Asia Strategy was drawn up.

Since then there have been numerous policy documents that focus specifically on Chinese and Irish relations, the most well-known being the Asia Strategy 1999-2009. Many policy makers and academics over the years have asked why Ireland has become so interested in China, and the answer may be found in the following three reasons. Firstly, the rise of China on the global scale has affected, or will affect, almost every country in the world as it has become increasingly important, not only economically, but also politically and in terms of global security. Secondly, China has provided a huge economic opportunity for Ireland through market activities, investment opportunities, as well as domestic income generation. Finally, no country can ignore the fact that China now matters significantly on a range of global issues in a way that was not the case two decades ago [viii].

As well as that Ireland's 'Celtic Tiger' experience has a lot to do with the growing relationship with China. The economic growth witnessed by Ireland during this period created vast opportunities both internally and externally. As a result there was a need to expand its external engagement with the global market and China was seen as being the 'best value for money' model. The Celtic Tiger also resulted in Ireland becoming more politically and culturally self-confident and more proactive internationally, which again meant that it opened itself up to new business and political ventures outside of the European Union. As it currently stands, the relationship between China and Ireland has never been economically stronger. Through the continuing involvement of Ireland in the political and economic developments of all Asian countries, a tangible business opportunity has arisen for companies in a range of economic sectors across the country.

Ireland has consistently expressed high levels of enthusiasm and confident expectations on the trade and development opportunities and possibilities that Asian countries, especially China, can offer. Ireland relies significantly on the export trade with China, as it is vital to increasing its foreign earning levels, creating jobs at home and sustaining the economic and social prosperity that was created during the period of the Celtic Tiger. Since the late 1990s, Ireland has been witness to a growing number of companies becoming interested in doing business with China, coming about mainly as a result of China becoming a feature on the world's economic stage and of the government's encouragement of Irish companies taking advantage of the opportunities that China has to offer.

The next phase of Ireland's Asia strategy focuses on the development of trade with Asia with an aim to sustaining and reinforcing previous relationships and

successes. Ireland has become dedicated to working cooperatively with Asian countries in order to further develop trade and business there, with the aim being to progressively capitalise on the current trade opportunities. Recent developments include Ireland becoming a member of the Asian Development Bank, the main reason for doing so being to make advances in Ireland's bilateral trade development programme in the region as well as making the most of any economic benefits that the membership may occur. However, there are also downsides to this expanding relationship. Ireland is seen as a late-comer in terms of European engagement with China. It does not have the long history and high levels of trust with China that the EU as a whole would have. Also the Celtic Tiger has been witness to a downturn and as a result there may now be more risks than opportunities for Ireland in this relationship.

#### 14.4 *The European Context*

EU foreign policy towards China has come a long way since the first Trade and Cooperation Agreement was signed in 1985. Both political and bureaucratic cooperation mechanisms have become part of the institutional routine between the two that encompasses a whole range of governance-related policy areas that include technology transfers, climate change and international security. The EU recognises China as an increasingly important player across virtually international issues. However, the EU and China disagree on some of the most fundamental values of global governance including the creation and operation of multilateral institutions, the use of force and national sovereignty[**ix**]. Many of these areas were highlighted post-September 11 2001. Having observed these fundamental divergences of national interests between key EU member states vis-à-vis China, many critics are beginning to question the relevance of even having a common EU foreign policy towards China[**x**]. Yet, according to Ginsberg and Smith, these criticisms can often be attributed to an under-appreciation of institutional processes relative to other factors, such as material power[**xi**]. The main question here then is how does this affect Ireland and its relationship with China?

Ireland, since it joined the EU in 1973, has become deeply integrated both politically and economically with the EU. This is notwithstanding the recent debates surrounding Nice I and the Lisbon Treaty Referendum. As a result of this, Ireland's external trade policy takes place in the overall context of the common EU trade policy, which covers both bilateral relations outside the EU and relations with the WTO. Ireland's new policy of engagement with China, however,

has not been as free and open as would have been hoped. The main reason being that it takes place in a deeply Europeanised context, even more so than it would have been 20 or even 10 years ago, and as a member of the EU Ireland must abide by any existing rules and regulations. As well as that, both the political and security dimensions of Irish foreign policy take place in the context of the CFSP and ESDP. Therefore Irish policy is limited by the rules and regulations of the EU. Many other important elements of Irish external policy and international policy development are also Europeanised, for example climate change policy under Kyoto and post-Kyoto treaties.

As a result, the majority of Ireland's China policy, as is the situation for all other EU member states, has become extremely Europeanised through combinations of policies that aim to develop common EU policies with China. These Europeanised policies also aim to regulate the external dimensions or implications of any member state's internal EU integration and development policies to that of the current standard of EU policies and regulations. This situation raises some important questions with regards Ireland's China policy and its overall effectiveness given the dominance of the EU. Firstly, how does and can Ireland actually shape or contribute to EU China policy? Secondly, what does Ireland bring to the table with regards the EU's China policy? Finally, how does the European (EU) context shape Irish policy i.e. does it strengthen or constrain it?

#### *14.5 What Does Ireland Bring to European-China Policy?*

With regard to the ever-growing relationship between Ireland and China, one has to ask what particular characteristics of the Irish political, economic and social experience does Ireland bring to the larger EU-China relationship and how can this be of benefit to overall China-EU relationship? The first benefit that Ireland has to offer comes from its history of economic expansion and growth. The period known as the Celtic Tiger transformed Ireland into a strong and independent country with a booming internal and external economic market[xii]. This experience can be translated into a blueprint that can be used to expand the current relationship with China as well as providing China with some key ideas that may enable it to form itself more along the lines of the EU market needs. The Celtic Tiger Ireland can be used as a model in numerous ways.

First, it can be used as a successful model of how a country can develop economic growth from relative poverty, a key problem in many areas of China at the moment. Secondly, Ireland developed its economic framework with the combined elements of social solidarity and social partnership. Both of these elements have



become somewhat of a norm across European nations and China could use this to further integrate itself with these EU member states in the areas of cultural development and market structures. However, it must be noted that although China's socio-economic and political scale are obviously very different from Ireland's, Ireland can still provide elements of a model to which China might aspire. This may seem far-fetched but China still has a long way to go if it is to fully develop complete political, social and economic links with Europe and using the Irish model may allow it to develop these ties at a more rapid pace. Apart from this Ireland also has many more specific strengths that it may have to offer the broader EU-China relationship.

Education policy has been one of Ireland's strongest weapons as an EU member and this could be used to further develop the cultural and education links in place between the EU and China. Ireland already has one of the highest exchange rates in colleges with China and this policy could further be expanded across the European Union. Another area of interest to China would be the pharmaceutical and bio-technology area. Ireland again has a lead in this field among the other EU members with the highest concentration of pharmaceutical companies choosing Ireland as a base, especially those from the US. All of these areas were dealt with in-depth in the Asia Strategy where the aim was to ensure that the Government of Ireland and Irish enterprises would work coherently to develop their relationship even further. As a result of that strategy the diplomatic and trade representation of Ireland has been strengthened through the opening of a Consulate General in Shanghai.

The adoption of this Strategy has also enabled trade between the two countries to increase considerably. Education has been another area greatly improved through this work with Ireland now attracting significant numbers of students from China. As a result of Ireland's growing interest in China, China has reciprocated and has begun to view Ireland as a viable partner in the global economic, political and social marketplace. On numerous occasions, Chinese heads of state have noted Ireland's economic growth records and its overall economic achievement. As well as that, China has taken an interest in the fact that Ireland has become a leading European knowledge-based high-tech economy with a strong track record of achievements in the areas of software development, information technology in general and life sciences[xiii]. All of these areas being of key interest to China and the Chinese market. Ireland has also been, as mentioned earlier, a key and active player within the European Union and one that has expanded its regional

development policies on a large scale over the past 10 years.

These areas, along with the fact that Ireland has been one of the main EU member states to develop a healthy and positive relationship with China aided by regular visits, means that China sees Ireland as a powerful player in the international EU-China relationship. As stated by President Mary McAleese relations between China and Ireland are not only deepening, they are also widening. Ireland is not taking the steps to further develop its Asia strategy to encompass the next 25 years of relations with China. This will involve developing plans to boost the political, cultural, educational, and commercial and trade relations between the two countries. As of now the relationship between China and Ireland is flourishing.

One of the main signs of this deep-set bilateral relationship has been the development of dialogues focused on a wide range of issues, including education and economics. Ireland's key political areas: a policy of economic expansion, greater access to education, recognition of economic interdependence, effective regional economic policies and the promotion of trade, encouragement of foreign direct investment and the diversification of markets, means that it has a lot to offer China in terms of internal policy development. The European Union has been one of the most important factors to Ireland's success. Through its economic and social mechanisms, as well as the access that it provided to European markets, it allowed Ireland to evolve through its process of economic and social transformation. The EU agricultural, regional and structural policies were also of great importance in assisting Ireland to develop its national economy, as was the EU support of Irish national policies as a whole. However, this was not a one-sided relationship and Ireland is also extremely important to the EU. Ireland may be one of the smallest member states but it has a clear and influential voice within the Union, as was witnessed with the Nice I and Lisbon treaties.

#### *14.6 How Does the EU Shape Irish Policy?*

Ireland may have a significant role to play in the EU and its China policy, but the real question is does the EU context strengthen Irish policy towards China or undermine it? Well firstly this is an extremely sensitive question to answer because of the context of Irish neutrality. Taking the first question of whether or not the EU context strengthens Ireland's China policy, one could argue that it does as it combines Irish power with the larger collective EU power therefore making one voice into many. This means that there is more power behind decisions and China will pay more heed than it would had Ireland itself developed

a policy or recommendation. Irish governments have argued on numerous occasions in the past that EU policies are compatible with Irish neutrality and actually strengthen Irish influence, which otherwise would have been limited to that of a small, insignificant state.

However, there seem to currently be more arguments for the second reason, which is that the EU context actually constrains Ireland. This comes from the viewpoint that the EU weakens Ireland's independence and freedom to manoeuvre within its China policies due to the fact that many voices against one usually means that the one falls into line with the many. This has happened on numerous occasions in the case of Ireland and the EU with regard policy and treaty developments, the most recent being Nice I and Nice II where Ireland was forced to hold a second referendum on an issue it has previously voted no to. Critics have argued that EU policy is dominated by the larger EU member states and has a neo-imperial or militarist agenda, whether this being explicit or implicit. This then comes back to Ireland's neutrality issue. Since neutrality is an open-ended concept and the debate is deeply politicised and subjective, a decisive answer to this question is not really possible to ascertain. Therefore, to the outside it would seem that the institution of the EU is a dominant monster that does not let all of its member states have equal say.

Ireland has, however, been able to separate itself in the area of its China policy and the following evidence shows that Ireland has been able to increase its influence with China instead of it decreasing due to EU pressure. Ireland has not had to give up or surrender any of its pre-existing China policy nor any of its national policies towards China in the context of wider EU policy. Overall, EU policy on China has been largely compatible with Irish policy[xiv]. Both EU and Irish policy has tended to focus primarily on economic opportunities and threats that may result from the relationship with China and has decided to take a low-key approach on the human rights issue, unlike the US. As a result critics argue that the EU and Ireland are allowing economic self-interest to trump the concerns over human rights. There may be some truth to this argument but it does not imply that, in the case of Ireland, the primary reason for this has been the subjugation of Irish policy by the EU. In fact Irish governments and businesses have been advocates of this policy favouring it as it provides more benefits to their relations.

#### *14.7 The Chinese Perspective*

With regard to the EU as a whole, China understands that the relationship it has

is a two way process. China is engaging the EU as much as the EU is engaging China. However, in addition to the straightforward economic interests displayed by the EU, for example market access, and as opposed to the EU's implicit objective of shaping China's domestic transformation, China has taken a different route. It has, instead, decided to follow a traditional realpolitik strategy of encouraging Europe to establish itself as a global power in order to counter balance US dominance. In China's view, the EU is seen as being a potential temporary ally in the race for global supremacy instead of a partner for addressing global problems. How, then, does China see Ireland as an individual member of the EU? China sees the EU as a very valuable source of high technology, capital and intelligence, all of which are vital if China is to fulfill its historical mission of developing the Chinese nation and leading China into a position of global leadership.

As Irish and Chinese relations develop it becomes necessary to understand not only how Ireland perceives China in the Asian context but how China views Ireland in the European context. Ireland is currently categorised as being part of the larger economic opportunity that is presented to China by the EU. However, Ireland's potential is growing and it is slowly becoming a source of foreign investment for China as well as a source of technological development, advancement and growth. Also Ireland has to offer a source of education opportunity for Chinese students seeking an education in the EU. Ireland appears to be one of the more attractive countries for Chinese students seeking higher education levels, thus creating a market between the two countries that has the dual benefits of education for the Chinese and funding for the Irish.

China views Ireland as a friendly face within the EU. China sees Ireland as being somewhat of a 'kindred spirit' with regards their common historical experiences with imperialism, thus the relationship is more open than it would be with other EU member states giving Ireland an advantage[xv]. With regards Ireland's position within the EU, China understands that Ireland has a moderate centrist voice when it comes to policy development and implementation, marketing decisions and economic advancement. However, China still views this as significant and understands that even though Ireland may not have as much power as countries such as the UK, it still has a large enough say to 'hold the EU hostage', as has been witnessed with the Lisbon Treaty and Nice I. Also China views Ireland as being less critical of its human rights issues than countries such as Scandinavia or other Central and Eastern European EU member states. This means that Ireland has closer links with China and a first-place benefit when it

comes to policy development.

#### 14.8 *Conclusion*

Ireland's China policy has been developed over time primarily as a response to the rise of China in the economic, political and diplomatic realms. It has also been primarily driven by, and reflects, the economic interests and opportunities that could be gained from a relationship with China separate from that which takes place in the EU. Ireland understands the enormous opportunities that China's increasing global importance could result in for them both economically and politically. However, many critics argue that Ireland has been blinded to the negative aspects of a relationship with China by the Celtic Tiger economic outlook that developed throughout the late 1990s and has not taken into account areas such as human rights violations in the market development area. Many counterclaim that this is just a reflection of Celtic tiger Ireland's new and more updated international view and that a relationship with China means a more self-confident and activist Ireland both internally and internationally.

China is trying hard to distance the EU from its own core values. If both the EU and China are going to continue to pursue their current agendas of changing the value base and institutions of each other, the emerging tensions are likely to remain. This is where Ireland may have the upper hand. However, even though Ireland and China have a growing relationship, Ireland's China policy is still extremely Europeanised in the context of the EU and this will not change in the near future. With the growing feeling of Euro-scepticism and the primary results of Lisbon, Ireland may be pushing for a more individualist stance with regards its foreign affairs than it had over the last decade. However, Ireland being in a half-way house in the EU or even withdrawing completely is probably highly unlikely. The chances are that it will fall in line with EU policy while keeping its options open with China in areas such as education.

The overall European context of Irish EU policy with regard to China emphasises the political dimensions of the Ireland-China relations in three main areas. Firstly, it makes it part of a larger geo-economic and geo-strategic relationship in the EU-global context. Secondly, it means that the human rights questions can no longer be avoided on Ireland's part and that it will inevitably have to fall in line with current EU policy regarding human rights violations and China. Finally, it relates to the larger questions such as global warming and proliferation of WMDs and other nuclear technology. Therefore, it can be argued that although Ireland

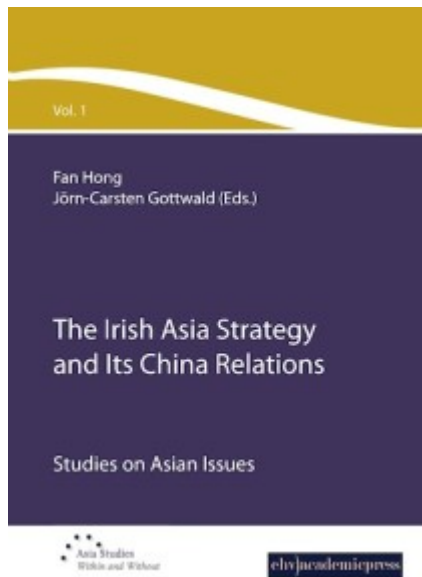
contributes to EU China policy, the opportunity to be more proactive in exploring what particular things Ireland brings to the table and how it can contribute to EU policy can and should be taken.

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# The Irish Asia Strategy and Its

# China Relations ~ About the authors



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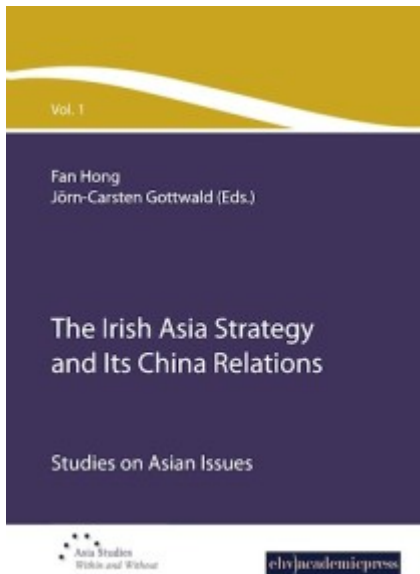
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# **The Irish Asia Strategy and Its China Relations: Appendix I ~ A Decade Of The Asia Strategy 1999 - 2009**

*Foreword by the Taoiseach, Bertie Ahern, T.D.*



The launch of the next phase of the Asia Strategy marks an important point in the development of political, economic and cultural relations between Ireland and Asia. Following my visit to China in 1998, I authorized the establishment of an Asia Strategy. The aim of this Strategy was to ensure that the Irish Government and Irish enterprise work coherently to enhance the important relationships between Ireland and Asia. It set out a series of challenging targets and objectives with a view to increasing our political, trade and investment ties in the region.

The first five years of the Strategy have been extremely successful. Targets have been met and in many cases considerably exceeded. The two priority markets identified in the Strategy - China and Japan - saw very substantial increases in exports from Ireland during the period. The success of my visit to China in early 2005, with a large accompanying trade mission, is in part a reflection of the achievement to date of the Asia Strategy.

The Government is fully committed to supporting the second phase of the Asia Strategy. I consider it to be essential that we maintain the momentum in strengthening our relations with Asia as we move forward into the next phase. The new Strategy 2005-2009, proposes even more ambitious goals and objectives, building on the achievements of the first five years. It targets not only priority markets but also emerging markets in the region. Most importantly, it seeks to increase the level of Irish exports to € 9 billion over the period.

The new Asia Strategy will be driven by a high-level oversight group. The group will ensure that the Strategy continues to respond to the dynamics of the Asian market. The Group will report to Government on an annual basis.

The next five years promise to be an exciting and challenging time for us. I am

confident that we will see tremendous progress for Ireland in establishing a firm presence in Asia. I commend this next phase of the Asia Strategy and look forward to following its progress in the coming years.

Foreword by *Micheál Martin*, T.D, Minister for enterprise, trade and employment

In A Decade of the Asia Strategy 1999 to 2009 we note with satisfaction what has been achieved in the last five years and set challenging objectives to be realized in the next.

The Taoiseach directed political focus on Asia some five years ago. All members of the Government share his enthusiasm and commitment for greater interaction between Irish people and those of Asian countries. That is in our mutual interest. Regular communications and increasing familiarity with Asian peoples are still of relatively recent origin. Yet, linkages have been established across a wide spectrum in recent years. The political, business, educational, media, cultural, social and other relationships that now exist will deepen and widen in the future. In addition, the presence in Ireland of growing numbers of Asian students, workers and tourists is welcome and also a relatively recent development. It is advancing the process of mutual understanding, while simultaneously conferring economic benefits and responding to manpower needs. We recognize the importance of this contribution and will facilitate its development in a way that respects and values those coming here.

This twenty first century is often referred to as the century of Asia. There are many more decades ahead before it runs its course. The Irish people and Government want to realize the opportunities that each will bring for national and global advancement in all spheres of activity.

The development of trade is the primary objective of the Asia Strategy. Business with priority Asian countries grew significantly during its first phase. Trade statistics last year, when compared with those in 2003, show heartening trends. Our exports to China increased by 19%, to Singapore by 17%, to Korea by 15%, to Thailand by 14%, to Japan by 12%, to India by 11% and so it goes on. This growth reflects the hard work of confident and adventurous Irish business people. It reflects the dedication and commitment of motivated State representatives working cooperatively in Asian countries in a national endeavour to further develop trade and business there. That endeavour also engages the support of the President and of the Government of Ireland in concerted efforts to progressively

capitalize on trade development opportunities that currently exist, and that are in prospect in the decades ahead.

We could be overwhelmed with considerations of scale and distance. We are not. We are already succeeding and our increasing trade statistics are plotting that success. I know that the publication of A Decade of the Asia Strategy, and the objectives, targets and review mechanism that it comprehends, will add even greater impetus and coherence to this important and strategic endeavour.

In this century Asia will be the economic fulcrum of the world. Its cities, many with populations that are multiples of our own, now provide dozens of markets of millions. With these demographics, marketing and trade development opportunities to sustain and enhance our export-led economic growth are beyond bounds.

We will now renew our commitment and efforts. Cooperatively we will continue to realize our trade development and related objectives. When the strategy for another decade comes to be written in 2009, we will have met and, hopefully, surpassed targets now set out. Of that, have no doubt.

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- Exchanges of Visits
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- State Representation in Priority Asian Countries
- Incoming visits

Other Linkages with Priority Asian Countries

- Ireland to join the Asian Development Bank (ADB)
- Establishment of Institute of Asian Affairs
- Mutual Awareness

Localized Relationships with Priority Asian Countries

- Internships
- Memoranda of Understanding
- Twinning Initiatives

Linking Ireland with Asia through Education, Research and Vocational Exchange

- Marketing Education Services in priority Asian countries
- Malaysia
- China
- India
- Korea
- Japan

#### Internationalization of Irish Education Services

- Graduate Placements
- Co-operation in the field of Research and Development

#### Developing Tourism Trade with Asian Countries

- Japan
- China
- India
- South Korea
- Art and Asia

#### Agricultural Trade and Priority Asian Countries

- Food and Drink Exports
- China
- Japan
- Other Developing Asian Markets

#### Exporting Irish Seafood to Asia

- Bord Iascaigh Mhara to further strengthen its Marketing in Asia

#### Enterprise, Trade and Investment

- Department of Enterprise Trade and Employment
- Enterprise Ireland

#### Attracting Foreign Direct Investment (FDI) from Priority Asian Countries

#### Outward Direct Investment (ODI) to Priority Asian Countries

#### Resourcing the Asia Strategy 2005 to 2009

#### Primary Achievement Indicator

#### Trade Target

#### Overview of Asia Strategy

#### *Introduction*

The Taoiseach identified the need for a concerted and strategic approach to the development of trade with Asia in 1998. It was informed by the fact that, into the future, China and other Asian countries will, to a progressively greater degree, influence political and economic developments throughout the world.

Accordingly, the Government decided to establish a formal context in which the public and private sectors could work co-operatively to realize the economic and other benefits that political and economic linkages with Asian countries can confer. In line with that objective, the Asia Strategy 1999 to 2004 was advanced.

Significant resources have been applied to that purpose, and these have yielded benefits to date. However, there is potential to further build on achievements. Accordingly, and taking into account the experiences of the last five years of the Asia Strategy, the next phase has now been initiated. It will cover the period 2005 to 2009.

#### *The Asia strategy - 1999 to 2004*

The main developments in that period can be summarised as follows:

- Visits to Asian countries by the President of Ireland, by the Taoiseach, the Tánaiste and other Government Ministers, with consequential reciprocal high-level political visits, have heightened political awareness on both sides.
- They have provided the basis for the further development of relationships between political leaders and created an environment in which economic, social and cultural ties have been established and cemented.

Extensive efforts have been undertaken with key economic and political decision-makers to raise awareness of Ireland in Asia. In excess of €2 million was provided for this purpose.

Initiatives included:

- Development and publication of information materials.
- Support for visits to Ireland by key media personnel and others with roles in informing opinion and relaying information in Asia.
- Funding provision for the development of long-term institutional arrangements between representative Irish business organizations and their counterparts in Asian countries.

From a bilateral trade development perspective, the following advances have been made:

- In the course of the Asia Strategy 1999 to 2004, merchandise trade exports have increased from € 3.6 billion to over € 6 billion.
- Imports in 2003 reached € 8.8 billion - leaving a trade deficit for that year of € 2.8 billion. This underlines the need to further develop and diversify Ireland's

mercantile and services trade with the region.

- Total exports to Asian countries from indigenous Irish companies are estimated at € 321 million in 2003, an increase of about 15% on the 1997 level but - at less than 4% - a relatively small fraction of total exports to the region.
- Exports to China have increased dramatically - annual export growth averaged around 20% between 1997 and 2003.
- By 2003 some 93 Irish companies had established in Asia. That is double the number there in 1999.

The successful establishment of businesses in Asian markets requires proper planning and resource commitment. This can present significant challenges for smaller companies. However, those challenges are not insurmountable and State and other forms of support are available.

#### *The Asia strategy - 2005 to 2009*

The objective over the next five years of the Asia Strategy is to build on achievements to date. In the interests of further developing bilateral trade, that will require advancement not only of economic and trade relationships, but others across a spectrum that includes political, economic, social and cultural dimensions.

An outcome of the first phase of the Asia Strategy has been to highlight the importance of properly targeting Ireland's export marketing efforts. This will ensure that, in considering opportunities in such a large and populous continent, resources are most effectively focused and commensurate benefits result.

#### *Primary objective*

The objective of the Government to be realized within the next five years is to intensify the levels of political, business and other forms of interaction with the priority Asian countries so that Ireland benefits to a significantly greater extent from the trade and other benefits that successful trading with the region can confer. In this context, greater attention will be given to ensuring that indigenous Irish companies avail of business opportunities in these priority countries and to the provision of necessary State and other supports for that purpose.

#### *Strategic actions*

Drawing on experience gained over the period 1999 to 2004, and in light of the need to prioritise efforts in a large geographic area with widely varying

population densities, the primary focus of the Asia Strategy up to 2009 will be on a limited number of countries.

PRIORITY ASIAN COUNTRIES	
China	
Japan	Malaysia
Korea	Indonesia
Singapore	Vietnam
India	

The countries have been identified on the basis of assessments of general economic and trade development projections in those listed, and of the potential for increasing the foreign earnings of Irish businesses.

In recognition of the possibilities for change in the economic situation of individual countries in the region over time, they will be kept under review, and adaptations made as necessary. In this regard our trade development agencies are already seeking to further develop business and trade relationships with emerging economies in the region. These include, in particular, Thailand and the Philippines.

Trade development opportunities in other Asian countries will continue to be monitored by the Government and the State agencies. The purpose will be to ensure that bilateral trading relationships with such countries are also further developed in the period to 2009 and that foreign earnings potential is maximised.

#### *Political support for the Asia strategy exchanges of visits*

High-level political exchanges and trade missions to priority Asian countries led by the President of Ireland, the Taoiseach, the Tánaiste and other Government Ministers have been important in increasing Ireland's profile, particularly within China. They have facilitated the development of durable political and business relationships.

The most recent visit of the Taoiseach to China marked a further step in this process of strengthening and deepening political and economic relationships. Leading the largest trade mission ever to have left Ireland, the Taoiseach was accompanied by the Ministers for Enterprise, Trade and Employment;



Communications, Marine and Natural Resources; Education and Science; and Agriculture and Food.

More than two hundred business people, representative of a range of Irish economic sectors, participated in the trade mission. Business deals to the value of approximately € 126 million were concluded during it. This does not take account of business negotiations that were initiated or advanced. These are expected to yield significant trading benefits and export earnings in the period ahead.

In addition, the trade mission included representatives of a range of State agencies and private sector organisations.

In the course of the visit, agreements were signed to strengthen cooperation in sectors of mutual interest - in agriculture, education, software, and scientific research.

In their discussions, the Taoiseach and the Chinese Premier agreed to continue to encourage and facilitate high-level political visits. They also agreed to develop and promote reciprocal exchanges in other areas that are of mutual interest and benefit. They decided that a coordinating mechanism to advance these objectives will be established.

They set a target of doubling the value of trade between both countries by 2010.

In recognition of the importance of further developing and reinforcing the status and frequency of high-level political visits to priority Asian countries and emerging economies in Asia, such visits will be a central feature of this phase of the Asia Strategy.

They will be planned on an annual basis by Government Departments. They will be coordinated by the Department of Foreign Affairs, in consultation with the Department of Enterprise, Trade and Employment, and other Departments. The high-level political visits will focus on the particular economic sectors that reflect trade development possibilities in destinations to be visited.

The trade development impacts over time of each visit will subsequently be assessed in direct consultation with participating business representatives.

#### *Asia-Europe meeting (ASEM)*

The ASEM process was established in 1996 to create an inter-regional dialogue between Asian countries and Europe. It focuses on political, economic, trade and people-to-people issues. The Taoiseach represented Ireland at the ASEM 5 summit in Hanoi in October 2004. That Summit agreed to the enlargement of ASEM to 39 members. Its biennial meetings at the level of Heads of State and

Government, and annual meetings of Foreign, Economic and Finance Ministers, will continue to provide platforms for worthwhile bilateral opportunities and contacts with our Asian partners.

#### *State representation in priority Asian countries*

In the course of the first phase of the Asia Strategy from 1999 to 2004, Ireland's official representation on that continent was increased and strengthened. Regional and local representation there is also important to the development of our export trade, as an example, in a country as large as China.

In this regard, the Government has decided to establish a diplomatic mission in Vietnam. It will be located in Hanoi and will open in the second half of 2005. It will have particular responsibilities for Cambodia and Laos also. As well as delivering other tasks, the mission will promote Irish trade and investment interests in the region.

The Government will continue to keep under review the levels and locations of State representation in Asian countries. Adaptations will be made as necessary so as to fully realise the objectives set out in this document.

#### *Incoming visits*

The number of incoming visits to Ireland from political and trade delegations has increased significantly over the past five years. Government Departments, State agencies and private sector undertakings will continue to facilitate visiting delegations in the interests of further strengthening ties and of advancing possibilities for bilateral trade development.

#### *Other linkages with priority Asian*

##### *Ireland to join the Asian development (ADB)*

The Government agreed to join the Asian Development Bank subject to concluding satisfactory conditions for accession. That has now been realised and the terms and conditions of membership were agreed last year.

The Government's reasons for joining the ADB include the advantages that membership will confer in further advancing Ireland's bilateral development programme in the region, as well as consideration of the economic benefits that can accrue.

In the latter case, membership will provide opportunities for Irish companies and consultants to tender for projects funded by the ADB. Other member States of the European Union have to date been awarded significant contracts as a

consequence of such tendering.

In light of this country's impending membership, enquiries have already been received from Irish entities interested in working in the region. Access for our business people will have additional advantages in heightening their awareness of Asian countries, providing informed understanding of business culture and practices there and developing new business and professional relationships across a disparate range of economic sectors.

#### *Establishment of institute of Asian affairs*

Fostering a better understanding of Asia and its peoples is important to the development of sound economic and trading relationships. The Department of Foreign Affairs and the Department of Education and Science will, in consultation with other Departments, advance proposals for consideration by the Government on the establishment, role, functions and funding of an institute of Asian Affairs.

#### *Mutual awareness*

Programmes of media visits designed to raise awareness, both in Ireland and in Asia, will continue to be supported. Such visits will serve to further inform Irish people about life, living and business cultures in Asian countries, and the peoples there of comparable issues in Ireland. Campaigns with that objective have to date been successful in conveying a better sense of this country and of the different aspects of its national life.

#### *Localised relationships with priority Asian countries internships*

The Shanghai Internships Programme provides for exchanges of officials. It has been successful in developing important contacts within the administration responsible for that city. It has also resulted in an increased awareness of this country in political, economic and cultural circles there. Extension of the scope of the programme is in prospect and exchanges are now being developed with Hong Kong.

Under the auspices of the Department of Foreign Affairs, the internships Programme will continue to receive support.

Support will also be provided for scholarships and internships for Asian Government and commercial personnel to allow them familiarise themselves with administrative, business and educational spheres of land.

#### *Memoranda of understanding*

In the period 1999 to 2004, a number of Memoranda of Understanding and

similar contracts have been signed by representatives of the State, business and other organisations at national, regional and local levels. Their purpose is to formalise and specify the nature of joint cooperative endeavours that both parties undertake to comply with, be they of a trade development nature or otherwise. It is in the national interest that the provisions of all such undertakings are comprehensively respected and implemented.

The High-Level Group described below will be informed periodically of experiences in implementing the provisions of such Memoranda and contracts, and of any proposals for agreeing new ones with Asian counterparts.

### *Twinning initiatives*

Twinning of Irish and Asian cities, towns and regions can assist the further development of personal and business relationships. Such twinning arrangements exist in several Asian countries. The concept is popular there.

They have a positive contribution to make in strengthening country-to-country ties. They can also contribute to facilitating the development of business relationships that exist on foundations of mutual confidence and trust. Accordingly, twinning arrangements will again be supported in this phase of the Asia Strategy.

### *Linking Ireland with Asia through education, research and vocational exchange* *Marketing education services in priority Asian countries*

International Education is one of the fastest growing areas within the International Services sector worldwide. It has recently been estimated that the global number of students studying abroad will rise from 2.1 million in 2003 to over 5.8 million by 2020.

Of particular relevance to Ireland is that the great majority of these students are opting for courses in information and communications technologies, hospitality management, business studies and the sciences. These are disciplines in which there is capacity in our education system to respond to demand.

As the greater part of this global cohort is projected to come from the priority Asian countries indicated, it can be a source of educational enrichment while also being materially beneficial. Enterprise Ireland, working closely with the International Education Board of Ireland, has been particularly active in promoting the benefits and advantages of our education system. Malaysia, China,

India, Korea and Japan are important countries of origin.

### *Malaysia*

There is a long established tradition of education linkages between Ireland and Malaysia. Currently about 1,300 Malaysians are studying at third level here. This figure is projected to increase to 2,500 by 2009. Such students are particularly interested in pursuing courses in information and communications technologies, engineering, business studies and medicine.

### *China*

China continues to be the primary focus for our third level colleges. To date this year, twenty-one colleges have participated in Education Fairs in that country. They were organised by Enterprise Ireland and have over the past five years been a feature of its education promotion activities.

Currently, in excess of 2,900 Chinese students are taking degree courses in Irish colleges. This number is projected to increase to more than 5,000 by 2009. In 2005, estimated income of approximately €60 million in direct fees and off-campus spending will accrue.

In excess of thirty-five co-operation agreements have already been concluded between third level Irish and Chinese colleges. Such co-operation will be an important factor in attracting greater numbers of high-quality students to locate here in the future.

An Institute of Chinese Studies to enhance the understanding of Chinese culture and language in Ireland is currently in the process of being established. It is expected to be operational in the academic year 2005/2006.

### *India*

India has great potential to contribute to the advancement of Government policy on developing our education services. Irish Colleges have been active in marketing there since 2000. To facilitate them, Enterprise Ireland organises annual promotional visits to Delhi, Bangalore, Mumbai, and now to Chennai.

In addition, to advance the promotion of Irish educational services, an area education manager has been based at the Irish Embassy in Delhi for the past three years. The manager plays an important role in advising and supporting marketing representatives of our third level colleges to achieve the objectives of their expansion plans and in encouraging visits by Indian media and education sector representatives to Irish colleges.

The number of Indian students attending Irish Colleges grew significantly in the

past five years. In 2004, 621 students were granted visas to study in Ireland. The target is to increase that figure to 4,000 by 2009.

India is predominantly a source of post-graduate students and about 70% of all Indian students in this country are in that category. This level of educational attainment on arrival is of particular interest and benefit to our colleges.

### *Korea*

Activity in this market is of recent origin. However, progress is now being made as a consequence of trade promotion visits by Government Ministers. In addition, in 2004 a Korean delegation of education representatives visited colleges here and a number of representational agreements were signed as a consequence.

Current numbers are low - about 50 students are at present studying in Ireland. However, this level is expected to increase to around 1,000 by 2009 as links with both educational representatives and Korean colleges are intensified in the interim.

In addition, Enterprise Ireland has recently appointed a representative in Seoul. She will also be actively promoting the advantages of Irish education in Korea.

### *Japan*

Enterprise Ireland is developing our education profile with Japan also. Again, the number of Japanese nationals currently studying at third level here is low - just over 100. There is, however, potential to significantly increase that number. To realise the potential, further visits to Ireland by Japanese media and education representatives will be arranged. In addition, high-level visits to Japan, as well as to Korea, are in prospect. These will assist in advancing the internationalization of Irish education, and in trade development generally.

### *Internationalisation of Irish education services*

The objective of promotional efforts is not only to increase the overall number of Asian students coming to study here, but also to increase and diversify the number of college-to-college links and cooperative arrangements in place. Already, this is being done very successfully in China.

Educationalists recognize that over-reliance on any particular market may not be positive and may impact on quality and standards. There could also be issues in marketing terms as a consequence of any such over-reliance. Accordingly, the Government will seek to ensure that diversity in the mix of nationalities continues to be a feature as it further develops the internationalization of Ireland's education services.

The promotion of Ireland as a destination for Asian students will be an important issue in implementing the recommendations of the recent report on the Internationalisation of Irish Education Services. These recommendations will be implemented in the near future.

Educational links have to date been key in advancing relationships between Ireland and Asia. Graduates and students from the priority Asian countries will now be a valuable resource as this country seeks to strengthen its research and technological base.

A scholarship scheme will be established to attract top Asian graduates and students to Ireland during this phase of the Asia Strategy.

TARGET: INCOMING THIRD LEVEL STUDENTS FROM PRIORITY ASIAN COUNTRIES	
2004	2009
5,500	17,000

In addition, the Government is aware that in the future, and having completed their formal studies here, Asian students will form an important network of contacts and trade partners for Ireland on return to their native countries. The promotion and dispersal of such networks will be

supported through the development or establishment of Alumni Associations in priority Asian countries.

Alumni Associations have already been established in China (Beijing), Singapore and Malaysia. They consist largely of people who graduated from Irish colleges some time ago. Support will be provided for the establishment of new Associations in Shanghai, Hong Kong, and, eventually, in Japan and Korea.

In all major centres where Enterprise Ireland has offices younger graduate returnees will be contacted and encouraged to take membership in, or to establish, Alumni Associations. Support will be available in the initial period following their establishment or refreshment.

The upward trend in Asian students coming to study in Ireland, the increasing number of colleges joining the internationalisation programme and the positive and reinforcing impacts that new measures and high-level political visits will yield, should ensure that this target will be reached, and even surpassed.

### *Graduate placements*

Establishing lasting partnerships and networks between Irish professionals and Asian counterparts is important to further develop trade and tourism. A focused Graduate Placement Programme for Asia, drawing on the existing FÁS

programme and other support systems administered by the European Commission, can give Irish graduates opportunities to gain valuable training and experience in Asian companies. They can also contribute to eventually establishing important business linkages between Asian and Irish companies and to promoting a greater understanding of Asian business culture here.

#### *Co-operation in the field of research and development*

Existing collaboration between Science Foundation Ireland and counterpart organisations in China, Japan and Singapore has raised the profile of the economic success of Ireland. Such collaboration also assists in communicating the advantages Ireland offers as a location for advanced research and development, and the possibilities for sourcing high-tech products and services here. The reinforcement of this collaboration will be a feature of the next phase of the Asia Strategy 2005 to 2009.

#### *Developing tourism trade with Asian countries*

As the economic centre of the world moves eastwards, it is important for the medium and longer-term future of Irish tourism that it develops the potential of emerging long-haul markets. Asia will become an increasingly important continent for tourism to Ireland in the longer term. It is estimated that by 2020, over one third of global outbound tourism will originate in Asia, with over 100 million tourists coming from China alone. Tourism Ireland has been working to lay foundations to capitalise on this projected growth in the years ahead. The markets identified as having the greatest potential are Japan, China, India and South Korea. Key developments in each are indicated below.

#### *Japan*

Tourism Ireland appointed a new representative company in Japan in 2003. Visitor numbers in 2004 were about 25,000. A 10% increase is forecast in 2005. To assist in realising this target, participation of tourism sector representatives in a trade mission to Japan this year, as well as their involvement in a major tourism trade and consumer fair there, has been arranged. A dedicated website and a marketing book have also been designed and produced for the Japanese market.

#### *China*

Approved Destination Status was conferred on Ireland by the Chinese authorities in 2004. Subsequently, websites were made available in Chinese. In addition, 15,000 marketing books in Chinese were provided. Tourism Ireland has recently



opened an office in Shanghai and appointed necessary staff there to manage its efforts to attract an increasing number of tourists from the region to holiday in this country. A three-year tourism development programme is now being finalised. Among other issues, it will provide for participation at trade and consumer fairs, media visits and tour operator participation in marketing events. At least two such events will be attended in 2005 - the World Travel Fair and the China International Travel Market Fair.

### *India*

A part-time representative company was appointed in India in 2004. In 2005, golf and film industry initiatives will contribute to raising awareness of Ireland with targeted audiences. Tourism Ireland will participate in a Location Film Exhibition in Mumbai and will also facilitate the participation there of five film production companies from Ireland.

TOURISM GROWTH TARGET ASIAN VISITORS NUMBERS (estimated)	
2004	2009
95,000	150,000

### *South Korea*

In 2005 Tourism Ireland will be capitalising on niche market opportunities that arise. A marketing book and website detailing tourism information on Ireland has been made available in South Korea.

Tourism Ireland has estimated that, assuming a stable international economic environment, visitor numbers from priority Asian countries will increase by more than 50% in this phase of the Asia Strategy.

### *Art and Asia*

Through the Department of Arts, Sport and Tourism, the Government allocated almost € 3 million in 2004 to promote cultural exchanges with China. These have been highly successful in building relationships between both countries. Such exchanges, and other linkages to promote mutual cultural awareness, will be further developed in this phase of the Asia Strategy. Also under the auspices of the Department of Arts, Sport and Tourism, a new organization named Culture Ireland/Cultúr Éireann has recently been established to promote awareness of Irish art and artists abroad. As there is complementarity between developing cultural relationships with priority Asian countries and the key trade promotion objectives of the Asia Strategy, the new body will work closely with the High

Level Group in order to optimise potential synergies.

### *Agricultural trade and priority Asian countries*

TARGETS FOR EXPORTS OF AGRICULTURAL PRODUCTS TO THE PRIORITY ASIAN COUNTRIES	
2004	2009
€130 million	€390 million

The Irish agriculture and food industries will remain export oriented. Their progress will depend on ability to maintain or expand market share at home and overseas. In this phase of the Asia Strategy the sector is likely to operate in a highly competitive environment. This reflects the advent of a more liberalised

agricultural trade regime. In addition to increased competition, logistical constraints can be impediments to developing trade in food and drinks products with Asia.

There are, however, opportunities to increase existing business in dairy products and to establish and expand trade in pig-meat, beef, food ingredients and alcoholic drinks. The aim of the agricultural sector in the period to 2009 is to consolidate and further develop current markets, to establish new markets, to increase the numbers of exporters active in the area and to formalise trading arrangements as appropriate. The overall objective to be realised in that period involves a threefold increase in the value of agricultural exports.

### *Food and drink exports*

As negotiations progress on the removal of the remaining barriers to food imports into Asian countries, the main objectives of Bord Bia will be to develop in-depth market knowledge and to increase the profile of Ireland as a supplier of quality food and drink products. Key marketing activities will include providing exporters with current and comprehensive market information, participating in trade fairs, organising seminars for targeted groups and implementing and monitoring a programme of inward buyer visits.

### *China*

With a population of 1.3 billion people and an economy that is now the fastest growing in the world, China is attracting the attention of the major global food manufacturers. As the Chinese economy continues to grow, its level of self-sufficiency in food will continue to fall. It will experience a radical change in the

profile of consumer needs, with demand for commodities and for processed foods continuing to increase. There is also evidence of an increasing demand from China's increasingly affluent middle class for quality branded import products.

### *Japan*

Japan presents a market for predominantly high quality goods. It offers suppliers better prices and margins than many international markets. However, it is also rightly insistent on detailed and accurate product specifications, consistency and dependability of supply and quality and authoritative assurances on food safety. In taking account of this background, Bord Bia will strengthen contacts with key importers and buyers and provide on-going feedback to Irish exporters on market opportunities for Irish food products. Special emphasis will be on emerging markets for functional foods and drinks.

### *Other developing Asian markets*

Opportunities for Irish food products in other Asian markets will also be pursued. The Philippines, Indonesia, Malaysia, Taiwan, Thailand and Singapore will be targeted in the marketing of dairy products and infant formula. The Philippines and Indonesia will be the focus in the marketing of meat and meat products. The overall challenge for Irish exporters in the agricultural sector is to understand the diverse and complex nature of the different priority Asian markets and market segments, and to tailor and promote their products accordingly.

### *Exporting Irish seafood to Asia*

There are significant opportunities to increase exports of seafood and related products to the priority Asian countries. Bord Iascaigh Mhara (BIM), in cooperation with Enterprise Ireland, is responsible for the marketing of these products. During the first phase of the Asia Strategy, there has been growth in exports of Irish seafood. Exports to China, including Hong Kong, have been particularly buoyant for a range of seafood products. These include crab, oyster, mackerel and horse mackerel products. The positive export growth trend is the outcome of marketing strategies deployed over the past eight years. In that period BIM has worked closely with a number of Irish seafood companies that are interested in developing the potential of the Chinese market. Recent marketing initiatives include participation in a number of key seafood trade events in the region and availing of the opportunities those trade missions, particularly those headed by Government Ministers, present to achieve new sales and to diversify export destinations for Irish seafood products.

### *Bord Iascaigh Mhara to further strengthen its marketing in Asia*

Trade in seafood products has increased over the past five years. However, BIM appreciates the need to maintain and strengthen business links in the period to 2009. This will allow exporters to more fully realise the opportunities that exist in niche segments of the seafood markets of priority Asian countries.

Accordingly, BIM will strengthen and diversify its trade development Programme to sharply focus on:

- market research and intelligence gathering;
- trade development through all effective methods, including participation in key trade fairs and availing of market intelligence exchange opportunities;
- planning and coordinating market assessment visits by Irish company representatives targeting the region;
- encouraging and facilitating inward buyer missions to Ireland from priority Asian countries.

BIM does not have a permanent presence in these Asian countries. However, through cooperative working arrangements with Enterprise Ireland, it has access to the resources of that organisation in the region. This facilitates an effective and unified approach on the part of these two State agencies to the identification and development of market opportunities for Irish seafood producers in priority Asian countries.

### *Enterprise, trade and investment*

#### *Department of enterprise trade and employment*

Trade missions will continue to be an important feature in assisting enterprises to identify market opportunities. Such missions will be directly linked to planned annual visit programmes by the Taoiseach and other Government Ministers to particular countries in Asia. These programmes will be submitted to the Department of Enterprise, Trade and Employment by relevant State organisations not later than the October preceding the year to which they refer.

In consultation with Government Departments and State agencies, the Department of Enterprise, Trade and Employment will propose a system to monitor the business development impacts of trade missions. That system will be implemented through continuing dialogue with representatives of participating business undertakings, organisations and other institutions to determine the

business development advantages that result from their participation in particular trade missions. Outcomes will be the subject of periodic reporting to the High Level Group that is being established to ensure the effective operation of the next phase of the Asia Strategy in the period 2005 to 2009.

### *Enterprise Ireland*

Helping its clients to win international sales and to establish or further develop business in Asia are priorities for Enterprise Ireland. Providing companies with essential market information, introductions and other supports are elements in achieving these priorities as they enter and develop markets there.

Accordingly, Enterprise Ireland will now renew and strengthen the service it offers to ensure the most effective State support for the national exporting drive in the priority Asian countries. The development of new initiatives to address sales skills and capabilities is important to ensure future success. Similarly, providing access to mentors in the region, developing opportunities for graduates to gain international selling experience and helping companies to recruit skilled staff are important elements that necessarily underpin achievement.

Enterprise Ireland will publicise details of general and niche market opportunities of interest to particular sub-sectors of companies in Ireland. It will also provide a signposting and advisory service to companies seeking to internationalise through overseas acquisitions or outsourcing.

ECONOMIC SECTORS	TARGETED COUNTRIES	ASIAN	PRIORITY
<b>SERVICES EXPORTS</b>			
Information technologies	Japan, Korea, China, Singapore, Malaysia, Vietnam, India		
Telecoms applications	Japan, Korea, China, Singapore, India		
Financial Software	Singapore, India		
eLearning	China, India		
Education Services	China, Japan, India, Korea, Malaysia		
Construction Services	Japan, Korea, China, India		
Consultancy Services	China, Japan		
Aviation and Aerospace Services	China, Japan		
Other -for example, development tools, security, biometrics	Japan, Korea, China, Singapore, Malaysia, Thailand, Vietnam, India		

Enterprise Ireland has set a range of targets to be achieved in the course of this phase of the Asia Strategy. These include:

- Increasing the number of Irish companies that have already established in Asia from 93 in 2003 to 215 by 2009.

- Actively marketing education services available with a view to increasing the number of third level students from priority Asian countries undertaking studies in Ireland, from approximately 5,500 in the academic year 2003/2004 to 17,000 by 2009.

Enterprise Ireland has also identified the economic sectors in priority Asian countries listed below for particular marketing attention on behalf of indigenous Irish companies. In view of the probable need to alter these targeted sectors over the next five years, because of likely changes in industrial growth profiles, developments in these sectors will be reviewed annually by Enterprise Ireland. The outcome of such reviews, and any recommendations for change as a consequence of them, will be communicated to the High Level Group.

*Attracting foreign direct investment (FDI) from priority Asian countries*

In implementing the Asia Strategy to date, attempts to source foreign direct investment were primarily focused on Japan and Korea. The rapid development of the Chinese economy has created new opportunities.

IDA Ireland recognises China as an area with excellent potential for future FDI opportunities. In such a complex market a systematic and thorough approach is needed to properly assess inward investment potential.

GOODS EXPORTS	
Healthcare devices and pharmaceuticals	China, Japan, India
Biotechnology	Japan, China, India
Agricultural machinery and veterinary pharmaceutical	Korea
Electronics and industrial goods	Japan, China, India
Consumer Products	Japan
Nanotechnology	Japan
Food drink and seafood products in cooperation with An Bord Bia and Bord Iascaigh Mhara	Japan, China, Hong Kong

An experienced team of senior IDA staff with in-depth knowledge of Asia has been established to explore the market potential from an FDI perspective. Team members recently completed a fact-finding mission to China and had discussions with Government officials and representatives of both multinational and indigenous Chinese companies.

IDA also recently commissioned consultants to carry out an assessment of the potential for value-added Chinese investment in Ireland. Its team is planning another trip to Shanghai early in 2005 to coincide with the completion of that assessment.

Existing IDA resources in the Asian region will be deployed to support the new

strategy as it develops and will be supplemented by such additional resources, including new offices, as are considered to be warranted by the assessment.

#### *Outward direct investment (ODI) to priority Asian countries*

The level of total trade will continue to be a key indicator of the state of our economic relationships with priority Asian countries. However, direct investment from Ireland in such countries is also likely to grow in importance.

The evolution of Irish-owned industry towards higher value-added activities, higher output and higher productivity is an important element in ensuring a solid economic foundation for long-term growth in competitiveness, exports and employment. The progress made by some Irish companies in relation to product sophistication and their scale of operation indicates that, for logistical and marketing reasons, outward direct investment is now viewed by business leaders as a viable and valuable strategic company development option.

Outward Direct Investment to the priority Asian countries will continue to be undertaken by ambitious and dedicated business people who manage Irish companies of varying sizes. Some will be in well-established sectors, others will form part of the growing cadre of small Irish-based high-technology companies that are primarily characterised by a global business and trading orientation.

Decisions to invest in the priority Asian countries indicate a willingness to act on a number of fronts. These include developing new outlets for goods and services and accessing new distribution channels and networks. For logistical reasons it will be necessary for some companies to have production facilities in the region. The business justification for investing in Asia includes gaining access to skills and expertise and acquiring or developing new technologies that can be transferred back to Ireland.

The Irish business environment is supportive of high value-added activities. In that context, outward direct investment to priority Asian countries, and benefiting from the opportunities it provides for particular Irish companies, is consistent with national economic and social policy objectives. These most importantly include increasing or retaining employment levels, progressively improving average wage rates and further enhancing the living standards of all and, in particular, those of the economically and socially disadvantaged.

#### *Resourcing the Asian strategy 2005 to 2009*

As in the period 1999 to 2004, when over € 2 million was provided, State funding will again be made available to implement certain of the initiatives and activities outlined above. This funding will be applied to ensure that the presence and the consciousness of Ireland in Asian market places is further reinforced so as to advance the attainment of primary objectives described above.

In addition, large-scale resources are already provided in existing budgetary allocations for the development of trade with priority Asian countries. These will be reviewed on an annual basis and, in light of the commitment of the Government to the Asia Strategy, will be appropriately adjusted by reference to the outcome of evaluation and review. This evaluation and review will take into account recommendations of the High Level Group described below.

Government Departments will now plan their respective involvement in the Asia Strategy to 2009. That planning should be such as to ensure that these Departments make the fullest contribution, consistent with the policy responsibilities they have, to the realization of the trade and related objectives of the Asia Strategy of the Government. That will include providing necessary resources to ensure a concerted and strategic approach and operational effectiveness in delivery of the provisions of the Strategy in each relevant Department.

#### *Primary achievement indicator*

A core objective of the Asia Strategy 2005 to 2009 is to develop relationships between Governments, business organisations and Irish and Asian peoples generally. This is in support of the central focus on increasing trade with that continent, creating wealth in Irish companies, particularly in smaller companies, and contributing to national prosperity, employment creation and maintenance.

The most important indicator of success at end-2009 will be the extent to which Ireland has further developed its export trade with the priority Asian countries outlined above. A concerted national endeavour, comprehending all involved in the promotion of export trade and services, will be maintained, reviewed and reinforced over the next five years. Results achieved in the course of the last Asia Strategy have been good. They provide a solid basis for the Government's expectations of doing much better in the development of trade with Asia over the next five years.



### *Trade target*

The primary target for the Asia Strategy is to increase the value of Irish goods exports to the priority Asian Countries to €9 billion by 2009. To meet this target it will be necessary to at least double exports to developing countries such as China and Vietnam. Exports to developed markets in the region, such as Japan, are unlikely to grow at this rate. The goods exports target indicated is achievable. The expectation of the Government is that it will be realised, and exceeded, by 2009.

### *Overview of Asia strategy*

The Secretary General of the Department of Enterprise, Trade and Employment, in co-operation with the Secretary General of the Department of Foreign Affairs, will chair a High Level Group to oversee the implementation of the Asia Strategy. That group will be small in number.

The High Level Group will maintain a strategic overview of progress in implementing the Asia Strategy and ensure that it continues to reflect and respond to the dynamics of the priority Asian countries.

### NOTE

**[i]** "A DECADE OF THE ASIA STRATEGY 1999-2009" Department of Enterprise, Trade and Employment, Dublin, 2006.