

The Irish Asia Strategy and Its China Relations 1999-2009 - 爱尔兰的亚洲战略与中爱关系 1999-2009

Fan Hong & J.C. Gottwald - *The Irish Asia Strategy and Its China Relations 1999-2009* - 爱尔兰的亚洲战略与中爱关系 1999-2009



The Irish government's *Asia Strategy* was initiated in 1999. It aimed to establish with Asian countries a coherent policy of engagement, on a political, economic, commercial, educational and cultural level. China was one of the countries identified as core in the Asia Strategy. Guided by the Asia Strategy political, economic, cultural, educational and social relations between Ireland and China have improved beyond recognition during the past ten years.

A decade after its inauguration the Asia Strategy is set to be revised to take account of the ever changing world. In this book for the first time, leading representatives from government, business and academia together revisit the Asia Strategy, examine its development and analyses it in the context of other European countries.

Following a Foreword by the Minister of Foreign Affairs, the authors discuss the political process that led up to the strategy and the roles of various actors within the strategy, in terms of Ireland-China in particular. Together with its Appendix containing an overview of significant historical steps in bilateral relations, this book presents an informative and in-depth analysis on Ireland's Asia Strategy and its engagement with the emerging economies in the Asian region, especially China.

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ISSA Proceedings 2006 ~ From Figure To Argument: Contrarium In Roman Rhetoric



1. Introduction

Roman rhetoricians knew about a certain rhetorical device called *contrarium*, which they, however, variably considered either a figure of speech or a certain type of argument, at times even both. This paper will try to analyze the function of this term that vacillates between the realms of stylistic embellishment and argumentation and to elucidate both its logical background and linguistic appearance. In a first section, the development of the concept of *contrarium* from the *Rhetoric to Herennius* to Cicero and Quintilian will be sketched. Next, Cicero's account of the enthymeme in his *Topics* and its relationship to *contrarium* will be analyzed and, based on the examples offered by those authors, an analysis of the typical pattern of this type of argument will be given. A study of a selection of examples from Cicero's writings will reveal their underlying argumentative basis, before finally the persuasive force of the standard phrasing as rhetorical questions will be discussed.

2. *Contrarium* in Roman Rhetoric

2.1. *Contrarium* in the *Rhetoric to Herennius*

In the fourth book of the anonymous *Rhetoric to Herennius*, which is arguably the oldest extant rhetorical handbook in Latin, most commonly dated to the mid-80s of the first century B.C.E., a feature called *contrarium* appears within a lengthy list of figures of diction (*Rhet. ad Her.* 4.25-26). It is defined as a figure "which, of two opposite statements, uses one so as neatly and directly to prove the other." Unfortunately, the anonymous author does not go into any greater analytic detail. Instead, he prefers to offer a whole series of examples, as follows (trans. Caplan 1954, p. 293, modified):

- (1) Now how should you expect one who has ever been hostile to his own interests to be friendly to another's?
- (2) Now why should you think that one who is, as you have learned, a faithless

friend, can be an honourable enemy?

(3) How should you expect a person whose arrogance has been insufferable in private life, to be agreeable and self-knowing when in power, and

(4) one who in conversation among friends has never spoken the truth, to refrain from lies before public assemblies?

(5) Do we fear to fight them on the plains when we have hurled them down from the hills?

(6) When they outnumbered us, they were not equal to us; now that we outnumber them, do we fear that they will be superior to us?

It is obvious that in each of these examples one or more pairs of opposites are involved:

(1) own interests versus another's; hostile versus friendly;

(2) friend versus enemy;

(3) arrogance versus agreeability; private life versus position in power;

(4) truth versus lies; conversation among friends versus public assemblies;

(5) plains versus hills;

(6) them outnumbering us versus us outnumbering them; not even equal versus superior.

As the entire fourth book of the *Rhetoric to Herennius* is dedicated to *elocutio* and the theory of rhetorical figures, it would at first sight appear natural that what is being illustrated by these examples must correspond to some particular figure of diction. And, judging from the list of oppositions just quoted, it would further seem obvious that the figure in question can be no other but Antithesis. This clearly is Cicero's definition of *contrarium* in his juvenile work *De inventione*, roughly contemporaneous with the *Rhetoric to Herennius*. *Contrarium*, Cicero states (*De inv.* 1.42), is what is most distant from that to which it is said to be the contrary, such as cold to heat or death to life.

Yet in the *Rhetoric to Herennius* Antithesis has already been treated a few paragraphs prior to our passage, in 4.21, under the name of *contentio*, defined as language built upon contraries (*ex contrariis*). Later in the book (4.58-59), *contrarium* is in fact closely associated with *contentio/antithesis* as a purely stylistic device and part of *ornatus*. At 4.26, however, the author immediately points out that the feature in question "is not only agreeable to the ear on account of its brief and complete rounding-off, but by means of the contrary statement also forcibly proves (*vehementer ... conprobat*) what the speaker needs to prove;

and from a statement which is unquestionable it infers what is questionable, in such a way that the inference cannot be refuted, or can be refuted only with the greatest difficulty." So what is in fact being demonstrated here is after all not simply the figure of Antithesis, not a mere embellishment of style, but a particular type of argument. Such a shift in meaning need not necessarily be surprising, as that author is guilty of frequent equivocations in nomenclature. But as the author leaves us abruptly at this point to pass on to the next figure of his catalogue, we are left on our own for making sense of this puzzling perception.

Besides the undeniable employment of pairs of opposites, there is, however, an even more striking stylistic feature that is common to all the examples, but which our author, strangely enough, does not address at all. All examples without exception are phrased as rhetorical questions. Yet a rhetorical question may indeed rightly be addressed as a figure of diction. Might it perhaps be this stylistic feature that makes contrarium justly appear within a list of figures of diction?

Such a guess is clearly supported by the closer context in which contrarium appears in the fourth book. It is presented as the last item within a more or less close-knit subset of related features described in paragraphs 21-26. Some of those also involve interrogative elements, viz. *Interrogatio* (4.22) and *Ratiocinatio* (4.23-24), the latter of which, judging by the examples presented, appears to be a kind of reasoning by question and answer. In 4.22, immediately following Antithesis, Exclamation (*exclamatio*) is treated in close connection with Interrogation; the last of the examples given for Exclamation in fact even *is* a question. This will become important. In 4.24-25 then, immediately preceding contrarium, there is a treatment of Maxim, both without and with an accompanying rationale (*ratio*). Yet a maxim accompanied by a rationale is one of the classical manifestations and definitions of the enthymeme (cf. *Arist., Rhet.* 2.21, 1394a31-b6; Quint., *Inst. Or.* 8.5.11). Thus this whole sequence of six manners of stylistic expression centres round the ideas of questions, antitheses, and reasoning.

If we further take into account that later on Quintilian, in his account of the enthymeme (*Inst. Or.* 5.10.2), remarks that a certain Cornificius used to call the enthymeme by the name of contrarium, we may fairly confidently assume that the *Rhetoric ad Herennium* is also referring to some such kind of argument. In fact, based on Quintilian's remark, some scholars have sought to identify the author of

the *Ad Herennium* with the said Cornificius.

But the argument in question is not identical with the enthymeme “from contraries” either, which is mentioned by Aristotle within his list of topical enthymemes in book 2, chapter 23 of his *Rhetoric* (1397a7-19), and which in Latin is known as the *argumentum e contrario* (e.g. “if war is a bad thing, peace must be a good thing.”). For in that case example (1) would have to run: “Who has been hostile to his own interests, will be *friendly* to another’s”. For in an *argumentum e contrario*, two pairs of contraries are shown to be mutually concomitant. Here, however, the conclusion drawn is exactly the opposite: The person in question will be *even less friendly* (i.e.: *even more hostile*) to another’s interests. For the meaning of a rhetorical question is tantamount to the denial of the questioned proposition. So what is involved is rather a different topos, i.e. the topos a *maiore ad minus* or vice versa (cf. Aristotle, *Rhet.* 2.23, 1397b12-29). Quite similarly so for the rest of the examples. What needs to be noted after all is that the anonymous author, although he appreciates the argumentative value of *contrarium*, primarily assigns to it a position among figures of speech. He chiefly regards it as a means of stylistic embellishment that ought to be completed briefly and tightly within one period.

2.2. *Contrarium* in Cicero, *De Oratore*

In his *De oratore* from his mature period (55 B.C.E.) Cicero also mentions *contrarium* in a catalogue of rhetorical figures (*De or.* 3.207). The heading again clearly is embellishment of diction. In this catalogue, *contrarium* features in the same group with items such as gradation of clauses, epiphora, inversion of words, asyndeton, paraleipsis, correction, exclamation etc. Quintilian quotes this passage at length (*Inst. Or.* 9.1.34), but is not always sure of the precise meaning of each individual term. As Cicero unfortunately does not provide any examples, it is impossible to ascertain exactly what he means by *contrarium* here, but the context seems to indicate that he refers to a stylistic figure.

Almost the same catalogue recurs in the *Orator* from Cicero’s later years (46 B.C.E.) in a passage (*Or.* 135) that is again quoted verbatim by Quintilian (*Inst. Or.* 9.1.39). But whereas most of the other features such as gradation, asyndeton, correction, or exclamation reappear, *contrarium* is now omitted. Quintilian (*Inst. Or.* 9.3.90) tries to explain this fact by suggesting that in the *Orator* Cicero may have rejected some of the figures, because he had realized that they were not really to be regarded as figures of speech, but as figures of thought. In this

respect he explicitly names *contrarium*, and suggests that it might be used here in the same sense as Greek *enantiótēs*, which, unfortunately, is no great help, as the meaning of that term is equally vague. But the context would suggest that what is intended is an antithesis between complete sentences. Butler's interpretive translation by "arguments drawn from opposites" (Butler 1922, p. 499) is therefore somewhat misleading.

2.3. *Quintilian on contrarium*

Quintilian, unlike the earlier Roman writers we just reviewed, is quite positive that *contrarium* is primarily a type of argument. Antithesis, he says, would be called either *contentio* or *contrapositum* (*Inst. Or.* 9.3.81; 9.4.18). According to Quintilian *contrarium* is one of the traditional Latin appellations for the enthymeme, a view he attributes in particular to the aforementioned Cornificius (Quint., *Inst. Or.* 5.10.2; 5.14.2-3; 8.5.9-11). As the enthymeme drawn from contraries or incompatibles (*ex repugnantibus or ex contrariis*) is the most efficient of all, it has provided the general name for this kind of argument. Inversely to what we saw in the *Ad Herennium*, Quintilian even feels compelled to emphasize that "the use of the enthymeme is not confined to proof, but may sometimes be employed for the purpose of ornament" (*Inst. Or.* 8.5.10). Quintilian's account, however, is clearly reminiscent of Cicero's logical analysis of the enthymeme in the *Topics*.

3. *Cicero's Account of the Enthymeme in the Topics*

3.1. *Context*

In his *Topics* (44 B.C.E.) Cicero devotes an entire section (§§ 53-57) to the presentation of a number of "modes of inference" that may provide the logical structure for arguments. These "modes of inference" are a set of different types of syllogisms, strictly speaking Stoic syllogisms. They can be identified as the so-called 'indemonstrables' (*anapódeiktoi*) or rather 'undemonstrated' (Mates 1953, p. 67; Hitchcock 2005, p. 239, note 3) syllogisms of Stoic dialectics (Diogenes Laertius 7.79; Sextus Empiricus, *Against the Logicians* 2.223), which form a set of basic syllogisms, to which all valid arguments within the Stoic system are reducible (Mates 1953, pp. 67-74; Frede 1974, pp. 127-167; Bobzien 1996, pp. 134-141).

3.2. *Definition*

Cicero describes the third type of those argument as follows: "But when you deny

a conjunction of propositions, and take as posited one or more constituent propositions of this conjunction so that that which is left is to be refuted, this is called the third type of argument. From this spring the rhetoricians' arguments concluded from contraries which they themselves call enthymemes." (*Topics* 54-55; trans. Reinhardt 2003, p. 143). A few lines later he adds that this type of argument "is called third mode by the dialecticians, enthymeme by the rhetoricians" (*Topics* 56; Reinhardt 2003, p. 145).

3.3. *Logical Background*

A third Stoic indemonstrable is usually described by the following mode: "Not both the first and the second; but the first; therefore, not the second" (O'Toole & Jennings 2004, p. 476), or, in formal language: $\neg (p \wedge q); p \rightarrow \neg q$ (see Sextus, *Against the Logicians* 2.226; *Pyrrhonian Hypotheses* 2.158; Diogenes Laertius 7.80; Galen, *Institutio Logica* 14.4). The standard example given by the Stoics is: "Not both it is day and it is night; but it is day; therefore not it is night."

It must be pointed out that a negated conjunction in the Stoic sense is not equivalent to an exclusive disjunction (The problem of the Stoic understanding of disjunction is discussed at some length in O'Toole & Jennings 2004, pp. 497-520). For as a conjunction is true, if and only if both its conjuncts are true, a negated conjunction will be true, if at least one of its conjuncts is false. But they may as well both be false, as in the following example: "Not both Dion is in Rome and Dion is in Athens", if Dion happens to be at a third place. Consequently, nothing follows from the negation of one of the conjuncts. A negated conjunction may thus be truth-functionally described by the truth-table 0111.

In addition to this truth-functional relation of "impossibility", as O'Toole and Jennings (2004, p. 490) prefer to call it, it is further required for a third indemonstrable to serve as a tool for sensible proof that the conjuncts be somehow 'in conflict' with each other, i.e. that it be logically or physically impossible that they can both be true. Otherwise this pattern of argument would be completely useless for proof. O'Toole and Jennings (2004, p. 490) may well be right in stating that this is the true sense of the Stoic concept of *mákhē* ('conflict'), reflected in the Latin *ex repugnantibus*, and usually translated as 'incompatibility'. I will not have time to dwell on the intricate details and peculiarities of Cicero's description of the Stoic indemonstrables. What is most interesting for us, however, is Cicero's examples.

3.4. Examples

Cicero himself does not give a detailed analysis of his account of the enthymeme, nor does he specify how exactly it is related to a third Stoic indemonstrable. Instead, just like the author of the *Ad Herennium*, he gives a number of examples, as follows (*Topics* 55; see Reinhardt 2003, p. 145):

- (7) To fear this, and not to be afraid of the other!
- (8) Do you condemn the woman whom you accuse of nothing?
- (9) Do you assert that the woman you say has deserved well deserves ill?
- (10) What you do know does no good; does what you don't know do harm?

Apart from the fact that all the examples are in iambic metre and thus probably stem from some lost Roman tragedy or tragedies, it is evident that both in logical pattern and stylistic appearance these examples are strikingly parallel to those given in the *Ad Herennium*. The arguments are all stated in extremely succinct form, as is typical of enthymemes. And, exactly like the examples in the *Ad Herennium*, they are all phrased as rhetorical questions. A thorough analysis of their syllogistic structure as third indemonstrables is given by Boethius in his commentary on the *Topics* (Stump 1988, pp. 149-152; see Riposati 1947, pp. 125-126). Expanded to full syllogistic form, (7) would read: "Not both fearing this and not being afraid of the other; but you fear this; therefore you should also be afraid of the other." Myles Burnyeat (1994, pp. 41-42) is surely mistaken in taking this, by virtue of the exclamation mark, to be a double imperative ("Fear this, and do not get into a panic about the other!"). For we will remember from the *Ad Herennium* that exclamations, when uttered in a tone of indignation, may come very close to rhetorical questions. Yet the sense of this line as an indignant exclamation is attested beyond reasonable doubt, as it is one of Cicero's favourite quotations, which he twice employs elsewhere to support his respective claims that it would be foolish to worry about one's loss of dignity but not about one's financial difficulties, or to have feared Caesar, but not to be afraid of Antony (*Letters to Atticus* 12.51,3; 14.21,3). This exclamation is thus tantamount to a rhetorical question, which is equivalent to the denial of the second conjunct (Schmidt-Radefeldt 1977, p. 378; Abdullaev 1977, p. 268).

In like manner, (8) would read: "Not both no accusation and yet condemnation; but no accusation; therefore no condemnation." (9): "Not both saying the woman has deserved well and asserting she deserves ill; but you say she has deserved well; therefore you must not assert she deserves ill." (10): "Not both what you do

know does no good and what you don't know does harm; but what you do know does no good; therefore what you don't know cannot do any harm."

Such analysis can easily be applied to the examples from the *Ad Herennium* as well. For instance, example (1) would read: "Not both being hostile to one's own interests and being friendly to another's; but this person is hostile to his or her own interests; therefore he or she cannot be friendly to another's". Similarly (2): "Not both being a faithless friend and being an honourable enemy; but this person is a faithless friend; therefore he or she cannot be an honourable enemy." And so forth.

In each case, in accordance with the pattern of a third indemonstrable, first a conjunction of two propositions is denied and then the first conjunct asserted, so that, as a consequence, the second conjunct is denied. The outward syllogistic form of these arguments is thus impeccable. Nevertheless they all have a decidedly probabilistic ring. One instantly feels that it will be quite easy to raise serious objections. As for (8), many examples in history testify to the fact that it is highly debatable whether having nothing to reproach a person of is strictly incompatible with condemning that person (in the same way as its being day is incompatible with its being night). And if (7) were to draw on, say, the incompatibility of fearing a dog and not dreading a lion, lots of exceptions can be conceived of: What if the dog is a trained bloodhound and the lion just a kitten? Or else the lion may be safely behind bars, but the dog at large.

Obviously the conclusiveness of such arguments vitally depends upon the different kinds of incompatibilities presupposed. Yet whereas the standard examples of Stoic logic are all based on strictly exclusive logical or physical incompatibilities (day/night, in Rome/in Athens), Cicero's and the *Ad Herennium's* clearly are not. The alleged incompatibilities they draw on, on closer inspection turn out to hold only in general or for the most part or in the absence of exceptional conditions. None of them are logical truisms or proven facts. They are not even universally valid, but allow for various exceptions and rebuttals. This is where the weak point of these arguments is to be found that marks them off from proper syllogisms. Even Cicero himself does not maintain that his enthymemes *are* third indemonstrables, but only that they "spring from" that particular argumentative pattern.

On the other hand, it cannot be denied either that in real practice arguments of

that type can have a highly persuasive effect, which of course is of decisive importance in a rhetorical argument. In this respect, it is important to recall that Cicero's examples are all phrased as rhetorical questions (or, similarly, as an indignant exclamation), a striking feature Cicero does not address either in his analysis.

For an appropriate assessment of both the conclusiveness and persuasiveness of the kind of argument both Cicero and the *Ad Herennium* describe, thus, Cicero's account in purely syllogistic terms apparently proves insufficient and needs to be supplemented by a thorough analysis of the different types of incompatibilities that serve as the pivotal warrants in the individual arguments, authorising the transition from given data to a proposed claim. I have tried to show elsewhere (Kraus 2006) that the model of the layout of arguments expounded by Stephen E. Toulmin in his book on *The Uses of Argument* (Toulmin 1958) can be profitably applied to the analysis of such arguments. We must therefore now look at the respective incompatibility warrants.

4. *Variants of Incompatibilities*

Cicero explicitly states that the type of argument he describes is as popular with philosophers as it is with orators (*Topics* 56; Reinhardt 2003, p. 145), a statement for which both his philosophical writings and his speeches offer ample evidence. This, fortunately, considerably broadens the basis for an analysis of practical examples. A sample analysis of the individual character of the 'incompatibility' warrants presupposed in each case, yields that the alleged incompatibilities turn out to be ultimately based on a comparatively small variety of standard argumentative patterns.

By far the most popular type appears to be the one based on what one would call an *argumentum a minore*, such as in Cicero's first example (8): "If you fear this, you should also be afraid of the other (as it is even more frightful)". Another fine instance of this type is found in *Tusculan Disputations* 2.34: "Can boys do this and shall men prove unable?" The same pattern applies to most of the *Ad Herennium* examples, such as (3): If a person is intolerably arrogant in private life, he or she will be even more so when in political power. Or (5): An enemy defeated on the hills will be even easier to fight on the plains. A most celebrated example is found in *In Catilinam* 1.3: "Shall that distinguished man, Publius Scipio, the Pontifex Maximus, though he was a private citizen, have killed Tiberius Gracchus, who was only slightly undermining the foundations of the state, and shall we, who are

consuls, put up with Catiline, who is anxious to destroy the whole world with murder and fire?"; and a no less famous one in *Philippics* 2.86: "What is more shameful than that he should be living who set on the diadem, while all men confess that he was rightly slain who flung it away?" The list could be as long as desired.

Conversely, an *argumentum a maiore* may also be used, such as in *Pro Caecina* 43: "Shall not that which is called 'force' in war be called the same in peace?", and maybe also in *Ad Herennium* (1): Who has ever been hostile to his or her own interests, will be even less friendly to another person's.

In other cases the argument is based on some kind of parallelism or analogy, such as in *De finibus* 2.13: "If these gentlemen can understand what Epicurus means, cannot I?" Or in *Tusculan Disputations* 2.39: "Shall the veteran soldier be able to act like this, and the trained philosopher be unable?"

An *argumentum e contrario* is involved e.g. in Cicero's last example in the *Topics* (10): If what one knows does no good, what one does not know cannot do any harm. This veritable pattern of *e contrario* must of course not be confused with the appellation of the entire type of argument as contrarium in *Ad Herennium* (4.25-26) or in *Quintilian* (5.10.2).

Sometimes, if rarely, an argument is produced from semantically correlated terms, such as in *Orator* 142: "Why is it shameful to learn what is honourable to know? Why is it not glorious to teach that which it is most excellent to know?"

An even more sophisticated type of argument is the one from parts to whole used in *De natura deorum* 2.87: "When you see a statue or painting, you recognize the exercise of art ... how then can it be consistent to suppose that the world, which includes the works of art in question ... can be devoid of purpose and of reason?"

Lastly, there are also arguments from cause to effect, as (tentatively) in Cicero's second example in the *Topics* (8): if there is no accusation, there can't be any condemnation either; or, conversely, from effect to cause, such as in *Pro Caecina* 44: "Can you deny the cause when you admit the effect?"

Evidently, it is such or similar argumentative patterns that constitute the substantial warrants Cicero's enthymemes are ultimately based on. These are the argumentative backings one might produce in support of the incompatibility

warrants. These are, however, simple common sense arguments without any syllogistic structure, which may only account for inferences of a certain limited probability. To rhetoricians they are known as topical enthymemes.

This makes clear, why Cicero's arguments from incompatibilities appear so poorly warranted and why it is necessary to hide those ultimate premises as best one can, when arguing by such an enthymeme. For once their topical background is unveiled, any opponent will easily find the appropriate rebuttals to counter or rebuke any such argument. Viewed from this angle, Cicero's whole theory of incompatibility appears to be a quasi-syllogistic construct devised to conceal the basic weak point of arguments of that type and to make them appear logically sound, as in fact Stoic rhetorical theory would demand. But on the other hand, it would also appear that, after all, this theory is not inappropriately placed in a work such as the *Topics*.

One last question is left for us to answer: If the arguments Cicero and the *Ad Herennium* describe are imperfect from a logical point of view, why should they appear persuasive at all?

5. *Arguing by Rhetorical Questions*

5.1. *Rhetorical Questions as Statements*

We will remember the striking fact that both the *Ad Herennium*'s and Cicero's examples are unanimously phrased as rhetorical questions. Yet rhetorical questions can be regarded as indirect speech acts (Searle 1975; 1979, p. 31; Anzilotti 1982; van Eemeren & Grootendorst 1984, pp. 52-53; Fogelin 1987, pp. 264-266), whose true function is not, as in real questions (cf. Belnap 1963; Åqvist 1965), to elicit information, but to make a statement or exhortation. There is thus a discrepancy between their outward form and their illocutionary function (Ilie 1994, pp. 45-51; see also Sadock 1971; Slot 1993; "constrained questions", van Rooy 2003; "redundant interrogatives", Rohde 2006). Only so rhetorical questions comply with the rule that participants in a discussion may not perform any speech acts other than "assertives, commissives, directives and usage declaratives" (van Eemeren & Grootendorst 1984, p. 152). Furthermore, the statement implied in a rhetorical question is equivalent to the contradictory of its propositional content. This is what Cornelia Ilie calls the "polarity shift" between question and implied statement (1994, pp. 45; 51-52). "Can you condemn this woman?" is tantamount to "You cannot condemn her" (see Schmidt-Radefeldt 1977, p. 384; Abdullaev

1977, pp. 266-268; Grésillon 1980, pp. 277-280; Conrad 1982, pp. 420-421; Meibauer 1986, p. 128; Krifka 1995; van Rooy 2003).

5.2. *Persuasive Force*

But rhetorical questions can do much more than that. They can exert a strong persuasive force. Ilie (1994, p. 59-60) has demonstrated that rhetorical questions are basically multifunctional and that one of their major functions is eliciting agreement from the addressee. Rhetorical questions often are what one might call “loaded” or “leading” questions. They invite the addressee to infer and thereby to share the one and only answer intended by the proponent. At the same time they convey the impression of a strong commitment of the proponent to his or her statement (Ilie 1994, pp. 53-59, 217). Clearly, the effect of the employment of rhetorical questions in an argumentative context will be not so much “to communicate doubt, perplexity, uncertainty” (Schmidt-Radefeldt 1977, p. 389), but the “strengthening [of] persuasive effects” (Frank 1990, p. 737). Frank even goes so far as to assert that “the primary function of [rhetorical questions] is to persuade” (1990, p. 737). The claim that the persuasive force of arguments is strengthened by their formulation as rhetorical questions (see also Blankenship & Craig 2006) has also been clearly supported by recent research in cognitive psychology (Zillman 1972, 1974; Petty, Cacioppo & Heesacker 1981; Cacioppo & Petty 1982).

Most certainly this is exactly the reason why Cicero’s enthymemes are in fact phrased as rhetorical questions. Instead of proper argumentative backing the rhetorical questions are employed in order to compensate the weakness of the respective implied warrants. The form of the rhetorical question (“How can you ...?”) puts strong psychological and moral pressure on the audience in order to make them accept without protest what is highly debatable, but vitally needed to make the argument work.

5.3. *Strategic Maneuverings and Fallacies*

This persuasive force of rhetorical questions in enthymemes as described by Cicero is ultimately assured or enhanced by a number of strategic maneuverings which, from a pragma-dialectical point of view, may be regarded as fallacious, i.e. as violations of some of the basic rules for Critical Discussion (see van Eemeren & Grootendorst 1995b, pp. 135-136; 2004, pp. 135-157, 162-186; on the pragma-dialectical concept of “strategic maneuverings” and their possible “derailments” see van Eemeren & Houtlosser 1999; 2002a; on the general possibility of

fallacious moves in questions, see Walton 1988; 1991b).

5.3.1. *Shifting the Burden of Proof*

Van Eemeren's and Grootendorst's second rule for the opening stage of a Critical Discussion postulates that whoever advances a standpoint is obliged to defend it on the other party's demand, i.e. has to accept the burden of proof (van Eemeren & Grootendorst 1995b, p. 135). If an argument is phrased as a rhetorical question, however, the burden of proof may fallaciously appear to be shifted onto the side of the respondent, who, if not convinced by the argument, will now feel obliged to defend his or her conflicting standpoint, especially so with questions exerting strong moral pressure such as the "How can you ...?" type, as the respondent will literally feel being asked for evidence ("On what reasons can you ...?") (van Eemeren & Grootendorst 1992a, pp. 120-122; van Eemeren & Houtlosser 2002b, pp. 22-24; cf. also Walton 1998, p. 136).

5.3.2. *Evading the Burden of Proof*

Whoever advances an enthymeme in a rhetorical question, may also be held guilty of evading the burden of proof in a twofold sense: first, because he or she obviously refuses to produce appropriate arguments, but replaces them by a rhetorical device instead (cf. Walton 1996; van Eemeren & Grootendorst 1992a, pp. 117-120; van Eemeren & Houtlosser 2002b, pp. 22-24); second, because the proponent may, if he or she were to meet with unexpectedly fierce resistance from the part of the respondent, easily deny commitment and withdraw to the excuse that after all he or she only wanted to ask a question (Grésillon 1980, p. 275; but see Meibauer 1986, pp. 168-169).

5.3.3. *Arguing ad hominem*

In certain cases, rhetorical questions may even result in an *argumentum ad hominem*, particularly so in aggressively put second person questions of the "How can you ... ?" type, by which the addressee may with good reason feel personally attacked (Ilie 1994, pp. 167-168; 206-208), as he or she may feel accused of logical (or moral) inconsistency and thus of intellectual (or, for that reason, moral) inferiority. Especially the so called *tu quoque* subtype of the ad hominem argument aims at discrediting the opponent's personal self by pointing out an inconsistency in his or her words or actions (van Eemeren & Grootendorst 1984, pp. 191-192; 1992a, pp. 110-113; 1995a, pp. 225-226; Woods & Walton 1976; Walton 1985, p. 243; 1987; 1988, pp. 206-207; 1991b, pp. 354-357; 1998, pp. 6, 135-136, 211-213; Engel 1994, p. 31), which is precisely what many of the above

examples, such as e.g. (7), (8) or (9), do. By trying to silence the other party in this way, any such argument violates the first pragma-dialectical rule for Critical Discussion that parties must not prevent each other from advancing standpoints or casting doubt on standpoints (van Eemeren & Grootendorst 1992b, p. 153; 1995a, p. 224; 1995b, p. 135, 138-139). Regardless of whether ad hominem arguments are to be generally regarded as fallacious or rather as a basically legitimate kind of “ethotic” argument (for such a more favourable view, see e.g. Hamblin 1970, 160-164; Barth & Martens 1977/78; Brinton 1985; 1995; Hitchcock 2006), it can hardly be denied that aggressive rhetorical questions can attack the personal self of the opponent and that this may have a highly persuasive effect (see van Eemeren, Garssen & Meuffels 2005, pp. 350-351).

5.3.4. *Begging the question*

Rhetorical questions of the kind used in such arguments may even be said in a certain sense to beg the question. For any such question may be taken to imply both warrant and conclusion at a time. Any expression such as “How can you condemn this person whom you accuse of nothing?” may on the one hand be interpreted as logically equivalent to the argumentative warrant “You can’t both not accuse and yet condemn a person”, but on the other hand also as a way of straightaway asserting the conclusion itself as incontestable and self-evident: “You can’t condemn this particular person” (see Walton 1991a, pp. 233-235; 310-311; for a critical view, see Jacquette 1994, pp. 287-288). Begging the question in such manner is of course also a way of evading the burden of proof (van Eemeren & Grootendorst 1995b, p. 140).

It is these and similar strategic maneuverings and fallacies inherent in the kind of rhetorical questions used in Ciceronian enthymemes that account for much of the persuasive force and moral pressure they exert on their audiences.

6. *Conclusion*

Our analysis of the type of argument referred to as contrarium by the author of the *Rhetoric to Herennius* but as enthymeme by Cicero in the *Topics* has yielded that arguments of this type, in spite of their ostensible syllogistic pattern primarily emphasized by Cicero, are, as a rule, rather poorly warranted, which is due to the fact that they are ultimately based on topical common-sense arguments. Their persuasiveness is rather assured by their pointed stylistic form. In this respect it appears that the ultimate reason for the standard phrasing of such arguments as rhetorical questions lies in the fact that the persuasive force of

rhetorical questions, by way of various kinds of strategic maneuverings, will exert strong enough psychological or moral pressure on the audience to make them accept the implicit warrants without any protest or further request for argumentative backing.

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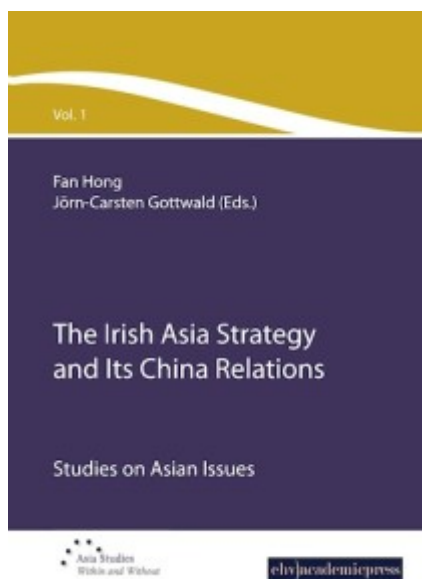
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Chapter 1: Introduction - The Rise of China And The Irish Asia Strategy ~ The Irish Asia Strategy and Its China Relations



Introduction

The People's Republic of China and the Republic of Ireland appear to have very little in common: the People's Republic of China - a huge, ancient civilisation with the largest population of all at the Eastern end of the Eurasian continent; and the Republic of Ireland - a small island at the opposite Western rim of Europe with only 4.4 million inhabitants. And yet, in spite of the vast difference in size, Ireland and China have an astonishingly rich and long history of bilateral exchanges. In recent years both countries have witnessed tremendous economic growth stimulating deep social changes. However, while the Celtic Tiger has seen his strength evaporate in the current economic crisis, China continues to be one of the centres of gravity for the global economy. Therefore, the incentives for Irish entrepreneurs, politicians and Irish society to look East are growing fast.

Asian economic, social and political transformation after World War II is without precedent. Asia emerged from a war-torn, colonial battlefield of European and

American interests to the global powerhouse. Japan, Taiwan, Singapore, Hong Kong and South Korea as the first two generations of 'Tiger Economies' set the tone for the biggest country, China to follow suit once the reform policies of the late Deng Xiaoping were introduced. The Third Plenum of the 11th Central Committee of the Communist Party of China in December of this year is one the most important events in recent history. It is the defining symbol for a pragmatic departure from policies based on ideology and for a state-orchestrated and society-based model for policy-making that has tremendously improved the living conditions of the vast majority of the Chinese people. Without the political and economic change in China, the whole phenomenon called 'globalisation' would have been incomplete.

The consumer and productivity boom in the United States and Europe benefitted from cheap imports and competitive pressure from Asia in general and China in particular. The unique combination of authoritarian politics with pro-market reforms is questioning traditional 'Western' academic notions of democracy and economic order.

As a role model for states and societies, the 'Asian Model(s)' of economic development have a deep influence on preferences and policies world-wide. The combination of export based growth, political authoritarianism and limited social pluralism is proving increasingly attractive to governments and people all over Asia, Africa and Latin America.

For Europe and the United States, these developments are challenging. While very supportive of the first generation of emerging countries in Asia, the rise of China has been welcomed less unequivocally. The issue of engagement or containment of China as a potential global rival and desperately needed global partner is continuing while global issues need a truly global response - climate change, energy security, the fight against poverty, non-proliferation of weapons of mass destruction and the war against terrorism. Therefore, it is in the interest of European and American governments to seek close cooperation with China. At the same time, however, different preferences and norms underlying China's policies are counteracting over-optimistic approaches to liberal world politics. In any case, a better mutual understanding is of core significance.

A member of the European Union since 1973, the Republic of Ireland has left behind its status as the 'Poor man of Europe' and has re-invented itself as the

fastest growing EU economy between 1998 and 2008. Its membership of the European Monetary Union plus entry to the Euro made it highly attractive for US multi-nationals. Structural and regional development funds provided by the EU were invested in infrastructure, research and education. Its soft-touch approach to regulation helped transform Dublin into a global centre for financial services – and contributed to its remarkable fall in 2008/2009. Relying heavily on property development and financial services, the global downturn after the credit squeeze setting in from 2008 onwards hit Ireland hard.

However, with stern austerity measures implemented in 2009 the Republic gained international approval at a time when fellow European governments were vindicated by international investors. Revising its development path of the Celtic Tiger years, Ireland decided to push for more internationalisation, more openness – and a higher profile in Asia.

The discovery of Asia by Irish politics and business had suffered from being absorbed by the local and European boom of the 1990s. But even then, back in 1999, the Irish government developed its ‘Asia Strategy’. As research published in this book highlights, it was strongly focused on the economic opportunities provided by the rise of China. But to reap the benefits of Asia’s fast growth, Ireland had to improve its presence in the region, its understanding of China and Asia, its openness to people and ideas.

Government, society and business joined hands to institutionalise the growing importance of Asia for Ireland. In November 2000, a group of businesspeople and China enthusiasts came together to set up the Ireland China Association, ICA. The Irish Institute of Chinese Studies was set up in 2006 at University College Cork and University College Dublin triggering a fast rise of China and Asia related activities.

The Association for Chinese Studies in Ireland was set up in 2007, the Asian Studies Ireland Association in 2008. Finally, the School of Asian Studies was established at University College Cork in 2009 which offers MA Asian Studies and two Higher Diplomas on East Asian Studies. It marks the beginning of systematic research and teaching on Asian related subjects in Ireland.

Ambassadors from Asian countries voiced strong support for Asian Studies with the Japan Foundation helping to provide Japanese language teaching and the Korea Foundation establishing the Irish Institute of Korean Studies at the School of Asian Studies at UCC. The Chinese government increased its outreach

activities to a broader Irish public by establishing two Confucius Institutes in Dublin and Cork. Successful Irish entrepreneurs in China gained public appreciation for their achievements. The Irish Diaspora in Asia developed high visibility including the establishment of the Irish Asia Pacific Business Forum in Singapore and Irish Business Forum in China. The celebration of St Patrick's Day in Shanghai began in 2008.

The most obvious sign of Asia's rise is the emergence of the People's Republic of China as the only real contender of the United States in global politics and economics. In his article, Dr. *Sha Hailin*, former ambassador of China to Ireland, revisits the economics of China's rise with a special focus on the role of enterprises. He provides insight into how economic growth has improved living conditions for the Chinese population. He shows the rising purchasing power of China's increasingly well-off families - a feature taken very well by Irish and European businesses!

China's tremendous change has had a deep impact on its society. In his chapter, *Martin K. Whyte* highlights the effects of China's economic growth on income distribution and living conditions in rural and urban China. People working in the countryside have been the first beneficiaries of China's reform policies. However, once the economic reforms took off in the cities, the improvement in their individual and household incomes as well as infrastructure, health care, education etc. have continuously fallen behind the big cities. Deng Xiaoping's famous saying about 'some will get rich first' emerged as the main policy line for the Jiang Zemin/Zhu Rongji government 1997-2002.

Their emphasis on the new entrepreneurs contributed to China's impressive urbanisation, but it left their successors with a deepening gap between the rich and the poor, the cities and the countryside, the East and the West of China. Under Hu Jintao and Wen Jiabao, policies and ideology have changed - at least somewhat. The current leadership is paying more attention to the needs of those who are comparatively losing out in China's boom. The jury is still out whether this readjustment of China's development strategy will be sustainable.

Another aspect of China's rise has been the issue of innovation and culture. Lee Kuan Yew, the former prime minister of Singapore and one of the founding fathers of the 'Asian Century' famously called upon its people to become more creative. He feared that the Confucianist tradition was stifling creativity and thus innovation. In his chapter *Geir Sigurdsson* analyzes the links between education

and innovation, between Confucianism and creativity. For those who are frightened by the sheer scale and speed of Asia's rise, the idea of Western liberalism leading to better results in innovation has been a favourite anti-depressant. Providing a deep insight into innovation in traditional Chinese thinking, Geir Sigurdsson discusses the attempts to improve room for independent thinking in China's education - or the failure to do so. His scepticism towards the potential of teaching creativity seems well advised - for both sides of Irish-Asian relations.

Ireland came late to the table of European nations developing their specific policies to deal with the rise of Asia. *Sean Gormley* retells the story of the founding of the Irish Asia Strategy and its initial successes. He demonstrates how Ireland as an increasingly global player needed a better framework for coordinating and improving its various links and activities with China and Asia. A series of high-level visits helped raise the profile of Ireland in Asia and paved the way for Irish business to follow its political leaders. In this way, the Irish Asia Strategy set the tone for the future development of bilateral relations. He rightfully points out, that 'the core objective of the Asia Strategy 2005-2009 - the development of relationships at political, economic, trade, educational and other policy fields, in support of Irish trade to the priority countries - continues to be implemented in a rigorous and coherent manner 'and will need further care in the years after 2009'.

Political relations between Ireland and China date back to the years of the Irish independence movement. Ireland's then Taoiseach, Eamon de Valera, received public appreciation in China when condemning the Japanese incursions on Chinese sovereignty in his speech at the League of Nations in 1932, as *James Cuffe* points out.

While there might have been some sympathy between the two movements for independence, the taking hostage and killing of Irish missionaries in China clearly harmed the reputation of the emerging communist forces in China. After the founding of the PRC on 1st October 1949, Ireland first kept diplomatic relations with the government of the Republic of China (Taiwan). But keeping in line with its neutrality, Ireland pursued an individual policy towards opening negotiations with the PRC to join the United Nations well in advance of its actual admission in 1971. Eight years later, the Republic of Ireland switched its recognition of sole legitimate representative of China from the Republic to the People's Republic of

China. A first Irish Ambassador to the PRC took up office in Beijing in 1980. Since then, political, social and economic relations have diversified and intensified in spite of occasional disharmony on issues such as Taiwan or Human Rights.

From a Chinese perspective, it is remarkable that Ireland has been able to establish itself within the attention of a growing Chinese audience. In spite of British colonial officers with Irish roots such as Lord MacCartney and Sir Robert Hart, '*Airelan*, where it exists at all dwells in the collective imagination as a jumble of images and public figures spanning the breathtaking beauty of the cliffs of Moher to Roy Keane, Riverdance and a host of Nobel Prize winners' as *John Armstrong* and *Yang Ning* observe. Within the Chinese state administration and its remarkable variety of world-class think tanks, Ireland is gaining a reputation for its rule-of-law based neutral approach in international relations. Commerce and culture both have spread the interest in Ireland beyond the narrow confines of the political leadership. 'While commercial interests draw the two peoples into contact it is the ideas that they share, and sometimes disagree on, which bind them together', as the authors conclude.

Regulatory reform has changed the rules of the game for Irish business in China. But it has left unchanged the need for sustained political support. *Michael Garvey*, long-time representative of Enterprise Ireland in China, critically assesses the role government bodies have played in promoting Irish entrepreneurs in the People's Republic. He highlights the important role of trade missions where the presence of senior government leaders has enabled Irish business to address their concerns and interests with top Chinese officials. In China's Socialist Market Economy, support from the leadership is a valuable asset for successful economic activity. Enterprise Ireland engaged in matchmaking between Irish and Chinese businesses and conducted many activities to raise the awareness of Ireland as part of the implementation of the Asia Strategy. The rise in bilateral economic activity from a comparatively low level indicates the success of these activities as well as the amount of work that needs to be carried on.

The Irish Asia Strategy might have had a clear focus on economic opportunities. However, efforts to bring along the friendship between Chinese and Irish citizens have flourished in recent years. *Pat Ledwidge* presents the story of the twinning between Cork and Shanghai. Both important harbour cities with a long history of openness and internationalisation, they have become close twins in spite of their huge difference in size and culture. Manifold activities have brought the exchange

of citizens, students, and experts and have established Cork's leading role in Irish-Chinese relations.

Supporting University College Cork's ambitious policies to promote Chinese and Asian studies, promoting summer camps, teachers and secondary school students exchanges, and all sorts of cultural activities, the twinning of the cities has proved beyond doubt its efficiency in deepening and broadening bilateral ties. The Irish representation at the Shanghai Expo 2010 will reflect the growing role of Ireland's second city in Irish-Chinese relations.

Education plays a crucial role in connecting people and cultures, as *Fan Hong* discusses in her contribution. Education became a first-class export commodity with English speaking institutions and countries having a strong market advantage as they teach and use the lingua franca of the globalised world. The re-enlightened interest of Irish institutions of Higher Education throughout the country reflects the Asia Strategy's idea of promoting Chinese and Asian studies. However, the far reaching plans for large institutes fell victim to the shortage of available funds requiring the universities and institutes of technologies to develop their own programmes. Building upon successful programmes for Japanese at the University of Limerick and earlier programmes at Trinity College Dublin which were terminated in the early 2000s, the Irish Institute of Chinese Studies at University College Cork and University College Dublin, and the new School of Asian Studies at UCC have dramatically increased the number of academic programmes on Asia available in Ireland. The National University of Ireland Maynooth succeeded in setting up Irish Centres in Beijing and other institutes of technologies increased their China and Asia oriented teaching. Numerous agreements between universities in Ireland and Asia helped to grow the number of students from Asia enrolled in Ireland and paved the way for joint research initiatives and joint academic programmes. These promising developments have gained momentum and will have a deep impact on bilateral ties in the years to come.

The area of regulatory reform has been much less contentious between the two states, as *Jörn-Carsten Gottwald* and *Neil Collins* argue in their contribution. Both countries used the mechanisms of regulatory reform to overhaul their economic order and speed up economic development. Shifting the emphasis from direct state control and direct intervention to indirect guiding through specialised agencies and semi-state bodies, Ireland and the PRC both joined the global trend

towards regulatory capitalism. While Ireland developed a high profile as a light-touch regulator, the PRC took a different course. The leadership in Beijing rather integrated regulatory mechanisms into their sophisticated system of governance that strengthened the governing capacity of its party-state. In the current search for answers to the global economic downturn, these two different approaches towards regulation provide an excellent starting point for political remedies.

One of the fields where Irish involvement has been very productive over the recent years has been the connections between civil societies. *Tom Hardiman* and *Peter Ryan* describe how the Asia Europe Meeting process which was introduced in 1996 as a new forum for dialogue and exchange between the two regions.

Europe and Asia have from an early stage actively called for the integration of social actors into the relations. The Second Track meetings received very substantial support from the Asia Europe Foundation where Ireland has been well represented. ASEM's formative years were overshadowed by heated debates about the existence and presumed incompatibility of Asian and European values. Setting up ASEM and ASEF on the basis of mutual understanding within an equal partnership built on the three pillars of politics, economics and society proved to be a decisive step ahead. With Irish co-sponsorship, the third Connecting Societies conference at the eve of the 10th EU-China summit in Beijing 2008 highlighted the improved profile of Asia and Asian studies in Ireland within this process.

Finally, a group of young authors, *Deirdre Cody*, *Niall Duggan*, and *Benedikt Seeman*, put the Irish Asia Strategy in comparative perspective. Ireland has been a latecomer in comparison to other European countries. Being able to learn from the experience of major partners in Europe, Ireland has much to gain from an intensive build up and has avoided some of the political and economic pitfalls which regularly darken the sky in EU-China relations.

The European Union, of course, has a deep impact on bilateral relations between Ireland and Asia. As the main authority on all foreign trade, and through improved policy coordination within the Common Foreign and Security Policy, relations between the two regions are providing the basis for Irish policies. In their contribution, *Andrew Cottey* and *Natasha Underhill* of University College Cork, ask what Ireland brings to EU China policies. They conclude that for a country the size of Ireland, its contribution is remarkable. The Irish experience as a regulatory innovator and high-speed growth market bears important insights for

China's ongoing modernisation. The social partnership helped safeguard social justice during the Celtic Tiger boom. Finally, its neutrality in security policies might be one of the reasons for the lack of major conflicts in bilateral relations - even at times of tension between China and the EU.

In summary, the Irish Asia Strategy was a timely product of the development of economy, culture and education in Ireland. Since the establishment of the Strategy in 1999 Ireland has undergone a dramatic cultural, social and economic transformation. Ireland's China relations have never been closer. Under the guidance of the Strategy, in the past ten years, the number of trade missions from both China and Ireland increased at a high speed, especially in the area of visits and exchanges in the field of high-tech industry. A large number of Chinese software delegations deepened their understanding of the development of Ireland's software industry. Many Irish companies established branches and joint ventures and co-operation in China, and significant numbers of Irish intellectual property products have been sold in China. Now the economic and technical co-operation between China and Ireland has extended from consultancy services and technical transfers to two-way investment in the telecommunication, machinery and software sectors.

Progress has been significant at all levels and in many different fields. There have been frequent visits by high-level leaders of both sides. The Taoiseach, Mr Ahern, paid his first official visit in 1998 while the Premier of China, Zhu Rongji, reciprocated in Ireland in 2001. The President, Mrs McAleese, paid a very successful State visit to China in 2006, and the Premier of China, Wen Jiabao's visit to Ireland in 2006 was the second time a Chinese premier had visited in just three years. As soon as Mr Brian Cowen became the Taoiseach he visited China in October 2008.

To date China and Ireland have signed several agreements since 1999 including an Agreement on Avoiding Double Taxation (2000), an Agreement on Scientific and Technical Co-operation (2000), an Agreement on Funds for Scientific and Technical Projects (2002), a Memorandum of Understanding on Authorised Destination Status of Chinese Group Tourists Travelling to Ireland (2004), a Memorandum of Understanding on Health Co-operation (2004); and an agreement on China Scholarship Council/ Irish Universities Association Joint Scholarships (2008). Furthermore, the two countries have already established a co-ordination mechanism for regular meetings of a joint economic and trade

committee as well as groups in the areas of science, technology and education. The link between the peoples of the two countries has also developed rapidly. Cork and Shanghai becomes sister cities in 2005 and cultural exchanges between two cities have flourished since then. The Irish Cultural Festival in Beijing and Shanghai is a great success and attracts large audiences, while there are also Chinese Cultural Festivals in Dublin, Galway and Cork. St Patrick's Day is now celebrated in China and Chinese New Year in Ireland. The establishment of the Confucius Institutes in both UCC and UCD in 2006 have stimulated cultural and educational developments between the two countries.

More and more students and scholars exchange between universities, institutes of technology, and independent colleges in the two nations. Today more than 40,000 Chinese students are studying in Ireland. All these exchanges play significant roles in enhancing the relationship between the two countries. At the same time, the establishment of the Irish Institute of Chinese Studies in both UCC and UCD in 2006 and the School of Asian Studies at UCC in 2009 marked a new era of Chinese and Asian Studies as academic disciplines in Ireland. They provide an excellent opportunity for Irish students to study China and Asian-related degree courses and are producing new generations with language skills of and knowledge about China and Asia.

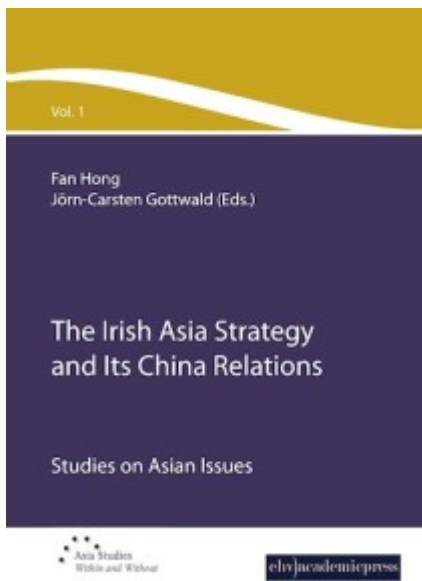
The Irish Asia Strategy just celebrated its ten year anniversary. It is time to review its achievements and plan its future. We hope this book will provide to decision makers and general readers in both Ireland and China a comprehensive review of the Asia Strategy and its China relations.

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Chapter 2 - China's Economy And

Enterprises ~ Part One: China's Economy: Achievements, Challenges, And Future Orientation ~ The Irish Asia Strategy and Its China Relations



Speech at the International Forum: China in the 21st Century: Culture, Politics, and Business - *Sha Hailin*

Part One - *China's economy: achievements, challenges, and future orientation*

1. *Remarkable economic achievements in China*

Ever since reform and opening up, China has made remarkable achievements in economic and social developments. The economy has grown rapidly, people's living standards have improved significantly, overall strength of the nation has been enhanced, and great progress has been made in social developments. In recent years, in particular, China has given greater priority to the quality of her economic growth and has taken a scientific approach, working towards comprehensive, harmonious, and sustainable development in the future.

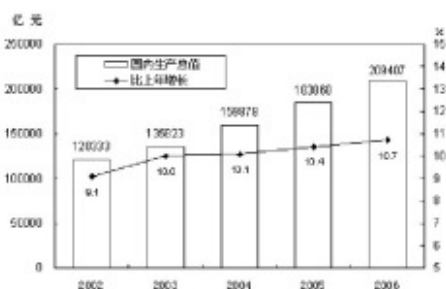
1.1 *High-speed growth over the past consecutive years*

According to official statistics, aggregate GDP, over the past 28 years since China's reform and opening up, rose from USD 147.3 billion in 1978 to USD 2245 billion in 2005, registering a 15.2-fold growth[i]. From 1979 through 2005, the

GDP of China in real terms had an average annual growth of about 9.7% (based on comparable prices). During the same period, per capita GDP grew from USD 173 in 1980 to USD 1700 in 2005, registering a 10-fold increase.

Such speed is much greater than the high growth rate once achieved by Japan and other newly industrialized economies in Asia, and has created the biggest miracle in the history of world economic development. Japan experienced an annual economic growth of 3.85% during its golden period between 1971 and 1991, and Korea, Chinese Taiwan, and Malaysia witnessed an annual economic growth of 7.06%, 7.35%, and 6.53% in their respective economies between 1971 and 2003. [ppt 7] We can proudly say, “No country can beat China in terms of long-term sustained and high growth in its economy. It has taken China only 20-odd years to achieve what took other countries several decades or even more than a hundred years.” **[ii]** After the newly-elected central government made a proposal to take a scientific approach towards a comprehensive, harmonious, and sustainable development, China’s economy has taken on a momentum of fast and steady growth. According to preliminary data worked out in the 2006 *Statistics Gazette of the People’s Republic of China on National Economic and Social Development*, China’s GDP reached RMB 20940.7 billion, up 10.7% over the previous year (See Chart 1).

Chart 1 China's GDP and its Growth during 2002-2006



Source 2006 Statistics Gazette of the People's Republic of China on National Economic and Social Development

Chart 1 China's GDP and its Growth during 2002-2006

Source: 2006 Statistics Gazette of the People's Republic of China on National Economic and Social Development

1.2 *Optimization of industrial structure*

Apart from the high level of economic growth, there has been a gradual optimization of industrial structure in China. Back in 1978, the proportion of the primary industry to GDP was 28.1%, secondary industry 48.2%, and tertiary industry 23.7%. By 2005, the primary industry dropped to 12.4%, secondary industry to 47.3%, with the rise of the tertiary industry to 40.3% **[iii]**. According to the *Statistics Gazette*, the added value of the primary industry amounted to RMB 2470 billion in 2006, up 5.0%; that of the second industry was RMB 10200.4 billion, up 12.5%; that of the tertiary industry stood at RMB 8270.3 billion, up 10.3%. The three industries account for 11.8%, 48.7%, and 39.5% of GDP**[iv]**.

1.3 *Opening wider to the outside world*

Ever since the basic strategy was raised at the 3rd Plenary Session of the 11th CPC Central Committee to promote economic and social development through opening up, China has been a very active player in international economic and technological cooperation and competition, and has opened further and wider to the outside world, seizing the opportunities brought by economic globalization. Especially since 2001, China's accession to the WTO has brought the Chinese domestic market closer to the international market, and greatly enhanced the interaction between our domestic economy and the world economy. Trade and investment have become the major forces driving the economic and social development of China.

During the 10th Five-Year Period (2001-2005), especially after China's entry into the WTO, trade and foreign investment in China increased significantly. Over the five-year period, total trade volume reached USD 4557.9 billion, with an average annual increase of 24.6%, among which exports totalled USD 2385.2 billion, with an average annual growth of 25%, and imports totalled USD 2172.7 billion, with an average annual growth of 24%. The paid-in amount of FDI was USD 274.1 billion, with an average annual growth of 8.2%. These figures show a significant increase in trade and investment over the 9th Five-Year Period (*See Table 1*)

Table 1 : A comparison of foreign trade and FDI between the 10th and 9th Five-Year Period

	9 th Five-Year Period		10 th Five-Year Period	
	Total billion USD	Average annual growth %	Total billion USD	Average annual growth %
Foreign Trade	17739	11.0	45579	24.6
Export	9617	10.9	23852	25.0
Import	8122	11.3	21727	24.0
FDI	2135	1.6	2741	8.2

Source: China Statistical Abstract 2006

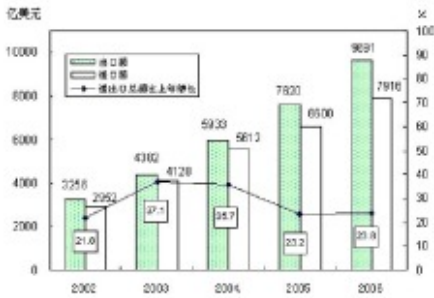
Table 1 □ A comparison of foreign trade and FDI between the 10th and 9th Five-Year Period

Source: China Statistical Abstract 2006

From 1978 to 2005, total trade volume rose from USD 20.6 billion to USD 1422.1 billion, registering an annual average growth over 16%. China entered a new stage of all-dimensional liberalization in her economy in 2006, following the ending of the transitional period of China's WTO accession. In 2006, China was the third biggest trading nation in the world with total trade volume of USD 1760.7 billion, up 23.8% over 2005, among which export was USD 969.1 billion, up 27.2%, and import was USD 791.6 billion, up 20.0%. Export exceeded import by USD 177.5 billion, up USD 75.5 billion (*see Chart 2*).

According to the Ministry of Commerce of China (MOFCOM), there were 41473 new FDI projects (non-financial) in China in 2006, with an actual utilization of USD 63.021 billion, up 4.47% over the previous year. The aggregate utilization of foreign direct investment from 1979 to 2006 stood at USD 685.45 billion. Especially since 1991, there has been an substantial increase in FDI, securing China the No.1 position among the developing countries in attracting FDI for 16 consecutive years (*See Chart 3*).

Chart 2 Foreign trade volume and its growth during 2002-2006



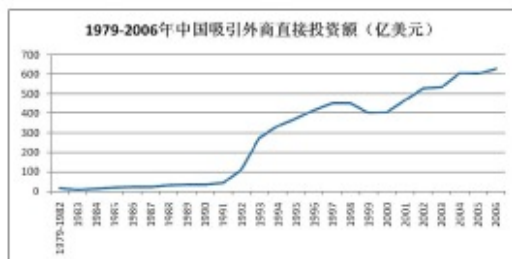
Source: 2006 Statistics Gazette of the People's Republic of China on National Economic and Social Development

Chart 2 Foreign trade volume and its growth during 2002-2006

Source: 2006 Statistics Gazette of the People's Republic of China on National Economic and Social Development

As a result of the open policy, China has not only promoted her own economic and social development, but also achieved mutual benefits in interaction with the rest of the world. The introduction of foreign investment has provided China with much-needed capital for her development. The interaction with the international market has pushed the development of her domestic industries. The advanced technologies, equipment, and managerial experience China has imported from outside has helped her improve the production and management of her domestic enterprises. The active exchanges with the rest of the world and sharing of the fruits of human civilization have upgraded the quality of human resources in China.

Chart 3 The absorption of FDI in China during 1979-2006



Source: China Statistical Yearbook 2006 and relevant data provided by the MOFCOM website

Chart 3 The absorption of FDI in China during 1979-2006 Source: China Statistical Yearbook 2006 and

relevant data provided by the MOFCOM website

1.4 Deepening reform

At the same time, China has been deepening the reform to further improve the socialist market economic system. Over the past 30 years, efforts have been continuously made to reform state-owned enterprises and promote the development of foreign-invested and non-state-owned businesses so as to give full play to the potential and initiatives of businesses with various ownerships in developing the productive forces and improving the living standards of the general public. At the same time, efforts have also been made to further the reforms on the monetary system, financial system, social security system, and educational system to provide a better external environment for economic and social development. Furthermore, efforts have been made to promote the transformation of government functions with a view to building a service-oriented and rule-based government.

1.5 Outstanding achievements in social development

While securing a fast pace in economic development, China also attaches great importance to the development of social productive forces and the improvement of people's material and spiritual well-being so as to make valuable contributions to the development of human beings and the world-wide elimination of poverty.

China has successfully fed 22% of the world's population with less than 10% of the world's arable land. In addition, there have been constant improvements in the life of the 1.3 billion population of China. The Chinese Government has basically lifted 220 million people out of poverty, meeting ahead of schedule the first of the UN Millennium Development Goals of halving extreme poverty, providing minimum subsistence allowance for 22.41 million urban and township residents and 15.09 million rural residents, and offering assistance to over 60million disabled people. Average life expectancy rose from 35 before the founding of the PRC to 71.9 in 2004, the same level of the medium-developed countries. The Human Development Index (HDI) level kept rising from 0.527 in 1975 to 0.768 in 2004, ranking the 81st place among 177 candidate countries and regions, and is aiming higher ($k>0.8$) (*See Chart 4*).

Chart 4 Upward linear growth of HDI

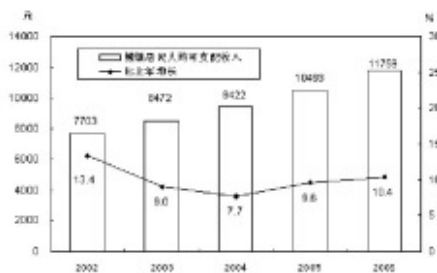


Source: Human Development Report 2006, UNDP

Chart 4 Upward linear growth of HDI
Source: Human Development Report 2006, UNDP

Over the five years from 2002 to 2006, China witnessed a steady rise in the living standards of urban and rural residents (See Charts 5 and 6). In 2006, the per capita pure income of rural people was 3587 RMB, up 7.4% in real terms, disposable income for urban and township residents was 11759 RMB, up 10.4% in real terms. The Engel Coefficient (which indicates the proportion of household food expenditure in total consumption) of rural households was 43% while that for urban and township households was 35.8%, indicating a further improvement in people's well-being.

Chart 5 Disposable income of urban and township residents and its increase during 2002 - 2006



Source: 2006 Statistics Gazette of the PRC on National Economic and Social Development

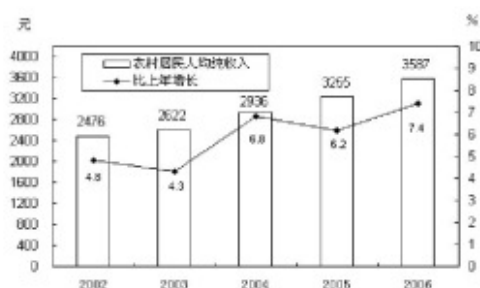
Chart 5 Disposable income of urban and township residents and its increase during 2002-2006
Source: 2006 Statistics Gazette of the PRC on National Economic and Social Development

2. Chinese development experience and challenges ahead

In my opinion, the following factors have contributed to China's remarkable economic and social development over the recent years. They are:

First, advantages in political resources and a set of good government policies. The Chinese Government has attached great importance to the role the government should play in guiding, planning, and promoting economic and social development. During the reform and opening up process, a series of fairly scientific and suitable policy frameworks have been established, covering the economic, political, cultural, and social construction of China.

Chart 6 Per capita pure income of rural residents and its growth during 2002-2006



Source: Same as above

Chart 6 Per capita pure income of rural residents and its growth during 2002-2006 Source: 2006 Statistics Gazette of the PRC on National Economic and Social Development

Second, a comparatively high capital formation rate and continuous large-scale investments are the major forces and sources of continuous economic growth at high speed. Back in 1979, the domestic deposit rate in China reached 32% and it stood at 40% for a long time during the 1990s. In 2005, deposit rate was as high as 46%, which is rare in the world. Another source of high investment is FDI. Up to the end of 2006, the aggregate utilization of foreign capital reached USD 685.45 billion . China has managed to avoid the difficulties most developing nations face in getting sufficient capital and maintaining high economic growth. High investment has made possible significant infrastructure improvement, industrial structural upgrading, and technological progress.

Third, ample, quality low cost labour force is the main guarantee for China's rapid economic growth. Since time immemorial, the Chinese nationalities are well known for their fine tradition of diligence and thriftiness and the Chinese people

have created a magnificent material and spiritual civilization for China and human beings. Thanks to this China has been able to maintain her comparative advantage and strong competitiveness for a long time in labour-intensive industries since the reform and opening policy was adopted.

Fourth, system reform and institutional innovation has ensured continuous economic and social growth and progress. What is worth mentioning is that various non-state economic elements have become the major driving force for China's economic development. Up to the end of 2005, the turnover of private enterprises and directly foreign-invested enterprises contributed to 65% of GDP, far greater than the state-owned enterprises. According to the Ministry of Commerce of China (MOFCOM), private economy is expected to create 75% of the total GDP by 2010[v].

However, we are also well aware of the in-depth conflicts/contradiction and problems China faces in developing its economy.

First, striking structural conflicts/contradictions remain in the economy. These are mainly reflected in the irrational proportions of the three industries, uneven development between urban areas and rural areas, between different regions, and inharmonious relationships between investment and consumption. Among them, the most striking ones are the oversize of investments in fixed assets, surplus liquidity of banking capital, the existence of factors triggering investment growth and loan expansion, large foreign trade surplus, and increased imbalance of international payments.

Second, the economic growth pattern remains primitive, exerting a greater strain on resources and the environment. The outstanding problems are high energy consumption and serious environmental pollution. For instance, China failed to meet the energy conservation and discharge reduction goal of reducing energy consumption per unit GDP by 4% and the discharge of pollutants by 2% in the first year of the 11th Five-Year Plan 2006, even though these standards were made compulsory under the Plan. Therefore, the task remains daunting.

Third, there is a lack of independent innovative capability, in particular, slow technological innovation and low contribution of technology to economic growth.

Fourth, the transformation of government functions can't keep pace with economic development, leading to some problems with administrative improvement. For instance, there are still areas where government is not separated from business; some government agencies don't have clear responsibilities; work efficiency remains low; administrative cost is high;

problems of bureaucracy, formalism, abuse of power, embezzlement and corruption are found in some regions and agencies. The root cause of the above problems is the absence of a sound system and desirable supervision.

Fifth, some problems related to the interests of the general public are not well solved. There are still complaints regarding food and drug safety, medical service, educational charges, distribution of income, public order, and production safety. Other issues which hurt the interests of people are not solved completely, involving the expropriation of land/requisition land, relocation of houses, change of business ownership, and environmental protection. Quite a few low-income people live in poor conditions.

3. Future development orientation

In the years to come, China will hold up the scientific view of development, give priority to development, and try to solve problems through development and reform with economic construction as the central task. The scientific view of development is hinged on the notion that the development should be people-oriented, approached from a new perspective, in an innovative way, delivering solid results so as to lead the economy and society to a path of comprehensive, harmonious, and sustainable development.

Taking into consideration trends and conditions for development over the next five years, China is trying to achieve continuous, fast, harmonious, and healthy economic development and all-dimensional social progress during the 11th Five-year Period to make an important headway towards the building of an all-round well-off society. The main objectives include the following:

1. a 2-fold increase of per capita GDP in 2010 over that of 2000 based on optimizing structure, enhancing efficiency, and reducing consumption;
2. a significant improvement in resource utilization efficiency so that energy consumption per unit GDP drops by 20%, the trend of deterioration in ecological environment is basically checked and the acceleration in the decrease in arable land is put under effective control;
3. having a host of competitive enterprises that are equipped with intellectual property rights and famous brands developed by themselves;
4. a sound socialist market economic system with a higher degree of liberalization and balanced international payments;
5. 9-year compulsory education being popularized and consolidated;
6. increased employment in cities and towns;

7. a solid social security system;
8. a gradual decrease in poverty;
9. a general rise of income and improvement of living standards in both urban and rural areas;
10. stability in overall price levels; substantial improvement in housing, transportation, education, culture, health and environment;
11. new ground in building democratic and rule-based systems as well as spiritual civilization;
12. further improvement in public order and production safety;
13. new progress in building a harmonious society;
14. becoming a even more staunch force in safeguarding world peace and promoting common development.

To realize the above goals, China will follow the scientific view of development and vigorously work towards the building of a socialist harmonious society. China shall adhere to the course of peace and development. For the above purposes, China has the following strategic objectives and basic/ fundamental purposes:

First, maintain steady and fast economic growth. China will further expand domestic demand, adjust the relationship between investment and consumption, and control investment scale so that consumption can play a bigger role in boosting economic growth. We shall make correct judgments regarding the changes in economic development trends and maintain the general balance between supply and demand so as to avoid big economic fluctuations.

Second, accelerate the change in economic growth patterns. China shall make resource conservation a basic state policy. Through developing a recycle economy, preserving the biological environment, and building a resource saving and environmental-friendly society, China will promote the harmonious development of economy, population, resources and environment. We will push forward economic and social informatization, take a new course of industrialization, and realize sustainable development by practicing conservation and clean and safe development.

Third, enhance independent innovative capabilities. China shall implement at different levels the strategy of rejuvenating the nation through science and education relying on independent innovation to achieve scientific and technological development, economic restructuring and change of growth patterns, as well as raising generic innovative capabilities, pooling innovative

talents together, and introducing and absorbing talents that are able to regenerate innovative capabilities.

Fourth, promote even development of urban and rural areas. China shall take a holistic approach and coordinate the development of urban and rural areas. Problems relating to agriculture, farmers, and the countryside should be given top priority. We shall develop a new socialist countryside by nurturing agriculture with industrial income and supporting the rural areas by the urban areas so as to secure a healthy development in urbanization. We need to put in place an overall development strategy and form a harmonious development mechanism where there is complementarity between the eastern, middle and western parts of China and good interaction among the regions.

Fifth, enhance the construction of a socialist harmonious society. China shall take a people-oriented approach, solve the problems that bear on the interests of the general public, attach greater importance to harmonious economic and social development, try every means to create jobs, accelerate the development of social undertakings, and promote the overall development of people. We will attach importance to social fairness so that all people can share the results of development and reform. We will make greater efforts to build a democratic and rule-based system, correctly deal with the relationship between reform, development, and stability, and maintain social stability and unity.

Sixth, continue the deepening of reform and opening up. China shall stick to the direction of building a socialist market economy while conducting various reforms. Modern enterprise systems and ownership systems shall be further improved. A rational price formation mechanism needs to be established to fully reflect the relationship of supply and demand and the scarcity of resources so as to let the market play a fundamental role in the efficient allocation of resources. We shall transform the government functions and improve the state macro-control system. In the meantime, we shall also balance internal development and opening up so that the development will be greatly enhanced by opening wide to the outside world.

Seventh, unswervingly follow the path of peace and development. Peace, development and cooperation are the themes of our times. China can't develop without the rest of the world, and vice-versa. Ever since reform and opening up in the 1970s, China has been successfully walking along the path of peace and development that is in line with the conditions of the country and the trend of our times. China will unswervingly follow that path and work towards the building of a modern, prosperous, democratic, civilized, and harmonious country, which will

make greater contributions to the progress of mankind. To achieve this end, we need to adhere to the notion of peace, opening, cooperation, harmony, and mutual benefit, under which we shall balance internal development with opening up, link China's development with the development of the rest of the world, and associate the fundamental interests of the Chinese people with those of the people in the rest of the world. We believe a harmonious internal environment and a peaceful external environment constitute a closely related entity, which is good for the establishment of a harmonious world with lasting peace and common prosperity.

NOTES

[i] 1978 data was cited from the speech made by President Hu Jintao at the opening ceremony of Fortune Global Forum 2005 in Beijing, 2005 Data refers to the State Bureau of Statistics of China.

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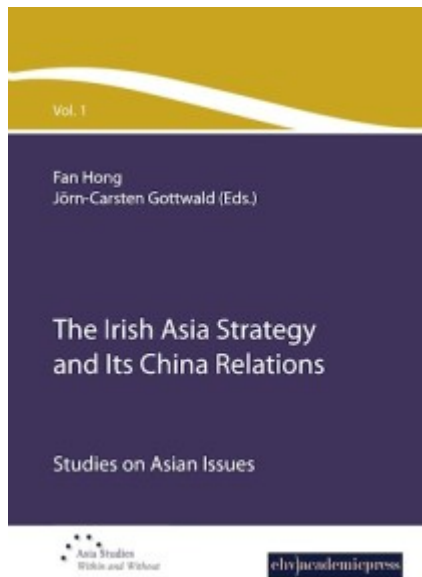
[iii] 2005 Statistics Gazette of the People's Republic of China on National Economic and Social Development, dated February 28, 2006

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Chapter 2 - China's Economy And Enterprises ~ Part Two: Business Competitiveness In Which China's Economic Strength Is Based ~The

Irish Asia Strategy and Its China Relations



Part Two: *Business Competitiveness on Which China's Economic Strength IS Based*

A nation's economic strength is based on the strength of its enterprises, which comes from their individual competitiveness. Therefore, the competitiveness of an enterprise forms the finest part of the foundation on which the competitiveness of a nation stands.

2.1 Reform, development and basic structure of Chinese enterprises

China maintains a basic economic system characterized by dominant state-ownership, and the co-existence of economic entities of various ownerships. Over the past two decades of reform to build the socialist market economic system, the market is becoming more dynamic and is playing a bigger role in ensuring a sustained and steady economic and social development. According to the first national economic census, out of 3.25 million legal-person entities in China by the end of 2004, there are 192,000 state-owned enterprises (including joint ownership, and exclusively state-owned enterprises), accounting for 5.9% of the total; 456,000 collective enterprises (including joint ownership and contractual cooperative enterprises), accounting for 14%; 406,000 other limited-liability and shareholding companies, accounting for 12.5%; 1.982 million private enterprises, accounting for 61%; 62,000 domestic enterprises (including state and collective partnership and other joint ownership enterprises), accounting for 1.9%; 152,000 foreign-invested enterprises and enterprises invested by Hong Kong, Macao and

Taiwan compatriots, accounting for 4.7% (See Chart 7).[i]

Chart 7 The Composition of China's Legal-person Entities



Source: State Statistics Bureau of China

Chart 7 The Composition of China's Legal-person Entities Source: State Statistics Bureau of China

The reform of state-owned enterprises is a key and central part of China's reform of its economic system. Starting from 1978, the reform experienced four stages, namely, decentralization, the separation of ownership and management, the establishment of a modern enterprise system, and national economic strategic restructuring.

The efforts made during the past two decades have solved four basic problems of system, pattern and structure, social positioning, and labour status. To be specific, with regard to system, state-owned enterprises have been successfully separated from the government, becoming a major independent player of the market with the government as the investor.

Regarding pattern and structure, most state-owned small and medium enterprises and 2/3 of the large and medium-sized enterprises have withdrawn from the structure. Regarding social positioning, the state-owned enterprises have turned from social entities in the past to economic entities, stripped of social functions. Regarding labour status, there is a contractual relationship between employees and the state-owned enterprises, following the law of the market.

While promoting and deepening the reform on state-owned enterprises, China

encourages the development of non-public economies by breaking down institutional and policy barriers, implementing incentive and supportive measures, welcoming the participation of non-public economies in the reform of the state-owned enterprises, providing better services, and enhancing guidance and management of the non-public economies.

Since 1990s, the contribution of non-state economies to the national economic aggregate has been rising. The added value created by non-state economies exceeds 20% of GDP^[ii]. In 2006, investment in fixed assets made by non-state economies accounted for 68.1% of the total social investment in fixed assets. Among the added value created by industrial enterprises with a large scale, non-state enterprises contributed 82.6% (including enterprises with shares held by the state) in 2006. Excluding enterprises with shares held by the state, the percentage was 64.4%. In terms of export and import volume, non-state enterprises contributed 80.3% and 71.5% respectively^[iii].

2.2 The competitiveness of Chinese enterprises since reform

Since reform and opening up, enterprises in China have enjoyed a rapid growth with overall strength and competitiveness substantially enhanced. According a report issued by the China Federation of Enterprises and the China Entrepreneurs Association on *2006 Development of Chinese Large Enterprises: Tendency, Problems, and Suggestion*^[iv], large enterprises, as represented by the Top 500 Chinese Enterprises, Top 500 Chinese Manufacturers, and Top 500 Chinese Service Providers, have maintained the momentum of fast growth in recent years, with expanding scale, remarkable quality improvement and enhanced capital operation. The proportion of the turnover of the top 500 Chinese enterprises to that of top 500 global enterprises is rising year by year from 5.26% in 2002 to 9.32% in 2006 with an average annual increase of 1 percentage point.

In terms of the total amount of growth, the total turnover and capital of the top 500 Chinese enterprises increased by 20.41% and 22.67% respectively in 2006, greater than the increase of top the 500 global enterprises (12.7% and 7.4%). The gap between the two has been gradually narrowed.

Table 2: Chinese Domestic Enterprises listed among 2006 Fortune Global 500

Rank	Name	Logo	Main business	Turnover 100 million
73	Sinoco		Oil	987.64
32	State Grid		Electricity	889.84
38	China Petro and Natural Gas		Oil	839.56
149	Industrial and Commercial Bank of China		Banking	281.67
202	China Mobile		Telecommunications	281.77
217	China Life		Insurance	273.88
223	Bank of China		Banking	238.68
266	China Southern Power Grid Co.		Electricity	231.09
277	China Construction Bank		Banking	227.79
278	China Telecom		Telecommunications	221.35
296	Wanrong		Meat	218.01

Table 2: Chinese Domestic Enterprises listed among 2006 Fortune Global 500

However, there is still a big gap between Top 500 in China and Top 500 in the US and Global 500[v] in the following aspects:

First, scale is comparatively small. The turnover, profits, and capital of Top 500 Chinese Enterprises are 19.4%, 10.4% and 21.5% of their American peers, and 9.3%, 6.7%, and 7.1% of their global peers.

Second, labour productivity is lower. Per capital turnover and profits of Top 500 Chinese Enterprises are 20.5% and 16.7% of that of Global 500. Profits gained by Exxon Mobil alone account for 45.1% of the total profits of Top 500 Chinese Enterprises.

Third, there are the problems related to ownership structure and performance. Among Top 500 Chinese Enterprises in 2006, there were 346 state-owned and state-controlled enterprises, accounting for 69.8%, and the number of private enterprises, though rising to 87 in 2006, still accounts for 17.4%. According to China Federation of Enterprises, there is a big difference between the enterprises with different ownerships in performance. Though state-owned or state-controlled enterprises enjoy absolute advantages in scale, they lag far behind others in economic results and efficiency.

Fourth, there is an irrational distribution of industrial structure by occupying the low-end position in the international industrial chain. Among Top 500 Chinese

Enterprises in 2006, there were 278 manufacturing enterprises, accounting for 55.6%, 143 service providers, accounting for 28.6%, 79 other types of enterprises, accounting for 15.8%. In contrast, there were only 153 manufacturing enterprises in Top 500 US Enterprises, accounting for 30.6%, 323 service providers, 64.6%, and 24 others, 4.8%.

304	Sinochem Corporation		Trade	210.89
377	Agricultural bank of China		Banking	171.65
441	China Railway Engineering Group Co. Ltd		Engineering and Construction	152.93
463	CORCO		Trade	146.53
470	Fiat Automotive Works		Automobile	145.10
475	Shanghai Automotive Industry Corporation		Automobile	143.65
485	China Railway Construction Corporation		Engineering and Construction	141.38
486	China State Construction Engineering Corporation		Engineering and Construction	141.22

Second Part - Table 2: Chinese Domestic Enterprises listed among 2006 Fortune Global 500

Fifth, there is a lack of innovation. Most of Top 500 Chinese Enterprises rely on importing technologies and lack independent research and development. As revealed by a survey of the State Statistics Bureau, the R&D fund of key enterprises in 2003 was only 1% of the sales volume, lower than the international standard of 2% for normal, and 5% for being competitive.

Sixth, there is a lack of awareness of brand names. Some Chinese enterprises don't even pay any attention to brands and IPR protection. Among the 100 Most Influential Brands of 2003 rated by the World Brand Laboratory, there was only one Chinese brand - Haier, ranking 95th with a brand value of RMB53 billion.

The above analysis shows that the most important factor that affects the competitive strength of Chinese enterprises is their poor independent innovative capabilities. From the perspective of the national strategies, independent innovation is the quintessential theme around which Chinese enterprises shall pursue their developments. Only by having independent innovative capabilities can Chinese enterprises become bigger and stronger. Ireland provides a lot of

successful experience in this regard, from which we should learn.

2.3 The combination of “absorbing foreign investment” with the “going international” of Chinese enterprises

China pursues an all-dimensional reform. By combining “absorbing foreign investment” and “going international” of Chinese enterprises, China intends to let foreign investment and multinationals play an active role in the national economic and social development on the one hand, and enhance the competitiveness of Chinese enterprises in the international arena through market expansion and mutually-beneficial competition on the other.



Source: Global 500 published in Fortune over the years

Chart 8: Status of Mainland Chinese Enterprises in Global 500 Source: Global 500 published in Fortune over the years

China has been the No.1 developing country in attracting FDI for 16 consecutive years. According to a survey conducted by UNDP, China will remain the most attractive to overseas investment in the coming years. Up to the end of March 2007, there were 330,000 foreign-invested enterprises in China, with a total paid-up capital of USD701.34 billion. These investors come from nearly 200 countries. 470 out of Global top 500 have invested in China. There are over 750 foreign-invested R&D businesses in China. Over 40 multinational corporations have regional headquarters in China, mainly in Beijing and Shanghai. Up to the end of 2005, the export volume of foreign-invested enterprises in China accounts for 58.3% of the total, contributing 20.72% of the total tax income of China, 28.6% of the total added industrial value, and employing over 25 million people, over 10% of the urban employment in China. **[vi]**

During the 11th Five-Year-Plan Period, China will follow the scientific view of development to further improve the efficiency of the utilization of foreign capital by diverting foreign capital to projects related to ecological construction, environmental protection, energy and source conservation and utilization so as to use foreign capital to improve domestic industrial structure and technological standards. **[vii]**

While giving priority to the attraction of foreign investment, China has been pressing ahead with the “going global” strategy for two reasons.

First, rapid economic development and growing overall national strength have laid a good material foundation for Chinese enterprises to go international.

Second, relevant government agencies have actively promoted trade facilitation by establishing and improving trade promotion services. This has offered policy

Chart 9 China's Overseas Direct Investment during 2000-2006 in 100million USD

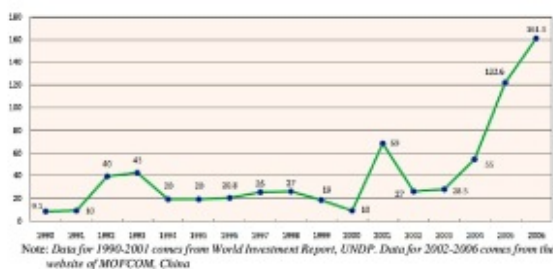


Chart 9 China's Overseas Direct Investment during 2000-2006 in 100million USD

Note: Data for 1990-2001 comes from World Investment Report, UNDP. Data for 2002-2006 comes from the website of MOFCOM, China

support and legal protection for Chinese enterprises to invest outside the country. Besides, there has also been intensified state financial assistance and the participation of financial institutions in large-scale investment projects overseas. Thanks to these policies, Chinese enterprises have been greatly motivated, resulting in a sharp increase in overseas investment over the past 4-5 years (See *Chart 9*).

In 2006, overseas direct investment made by Chinese enterprises reached USD16.13 billion, up 31.6% over 2005, ranking 13th in the world compared with 17th in 2005. Up to the end of 2006, China's overseas direct investment in non-financial projects totaled USD 73.33 billion**[viii]**. During the same period, global FDI outflow in the world stood at USD 1230.4 billion, with a total volume of USD 11.9023 trillion**[ix]**. The FDI outflow and total amount of China are 1.31 and 0.62% of the world's total.

NOTES

[i] Major Statistics Bulletin No.1 of the First National Economic Census, Statistics Bureau of China.

[ii] Development Course of China, keynote speech made by Madame Wu Yi at the first Sino-US strategic economic dialogue on December 14, 2006. http://www.china.com.cn/news/txt/2006-12/14/content_7505130.htm

[iii] China Industrial and Commercial Times, 2006 Report on the Development of Non-state Economies, by Xia Xiaolin, State Development and Reform Committee, February 1, 2007.

[iv] China Federation of Enterprises and Entrepreneurs Association launched Top 500 Chinese enterprises in 2002, Top 500 Chinese Manufacturers and Top 500 Chinese Service Providers in 2005, and Top 200 Chinese Performers and Top 200 Chinese Tax-payers in 2006.

[v] 2006 Development of Chinese Large Enterprises: Tendency, Problems, and Suggestions, China Federation of Enterprises and China Entrepreneurs Association; A Comparison Between Top 500 Enterprises in China and the US, China Federation of Enterprises, March 15, 2007.

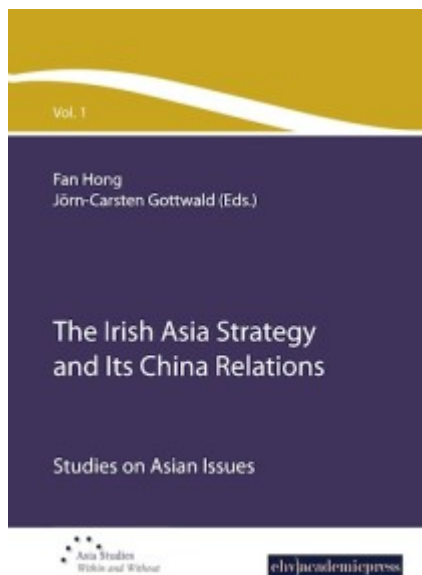
[vi] China Foreign Investment Report 2006, Ministry of Commerce of China.

[vii] The 11th Five-Year-Plan on the Utilization of Foreign Investment, State Development and Reform Commission, November 10, 2006.

[viii] Brief Report on China's Overseas Direct Investment in Non-financial Businesses in 2006, MOFCOM website, February 13, 2007.

[ix] UNCTAD "Foreign Direct Investment Surged Again in 2006" _UNCTAD Investment Brief NO.12007.

Chapter 2 - China's Economy And Enterprises ~ Part Three: Sino-Ireland Friendly Cooperation And Mutual Development ~The Irish Asia Strategy and Its China Relations



Part Three: *Sino-Ireland Friendly Cooperation and Mutual Development*

There has always been a very good bilateral relationship between Ireland and China, maintained by exchange of visits between senior leaders, holding cultural festivals, promoting trade and investment, and enhancing cooperation in various fields and extensive exchanges between the two peoples.

Ireland enjoys a fine international reputation as the 'Silicon Valley of Europe'. As an open and knowledge-based economy, Ireland has amassed rich experience in how to seize the opportunities brought by globalization, successfully explore the pattern of opening up, rejuvenate the country through science and education, etc. China, as a country sharing similar experience in development, has a lot to learn from Ireland. There are many in-depth studies in China on leap-frog development, citing Ireland as a successful case. They try to solve the "Irish Mystery" so as to come up with references for China in pursuing her way of scientific development

and independent innovation.

Enterprise Ireland has set up offices in Beijing, Shanghai, Guangzhou, and Hong Kong, in charge of promoting Ireland's export and investment to China. The Investment and Development Agency of Ireland, after setting up offices in Tokyo and Chinese Taipei, also established its Shanghai representative office, to attract Chinese investment to Ireland.

In recent years, China and Ireland have both made great achievements in national construction and the two countries have become closer than ever. Under the initiatives of the leaders of China and Ireland, with the promotion efforts made by the Ireland-China Association, Enterprise Ireland China Office, and the Representative Office of Investment and Development Agency of Ireland, our two countries have witnessed more fruitful results of the cooperation between us in economy and trade, investment, science and technology, exchange of personnel. In 2006, the bilateral trade volume between China and Ireland reached USD 5.46 billion, up 18.6% over 2005[i], representing a 10-fold growth in 5 years.

Ireland started to invest in China in 1989.

By the end of 2006, Ireland has accumulatively invested in 115 projects in China with a contractual volume of USD 260 million and an actual utilization of USD 83.43 million.

In 2006, Ireland invested in 16 projects in China with a contractual volume of USD 57.78 million and an actual utilization of USD 24.02 million.

By the end of 2006, China has accumulatively imported 455 technical projects from Ireland with a total contractual volume of USD 200 million.

In 2006, China imported 111 technical projects from Ireland with a total contractual volume of 53.19 million.

By the end of 2006, total volume of economic cooperation projects between the two countries reached USD 23.13 million, with completed turnover of USD 36.19 million, among which the newly signed contract in 2006 was USD 150,000, with completed turnover of USD 8.8 million. [ii]

We believe, through further implementing a series of bilateral economic and trade and relevant agreements[iii] signed between the two countries over the years, promoting trade and investment liberalization and facilitation, enhancing cooperation in lowering barriers to technological transfer and protecting intellectual property rights, creating a fair, just, reasonable, and open environment for enterprises, promoting long-term stable partnership between the

enterprises on the two sides by giving policy and financial incentives, the exchanges between China and Ireland in economy and trade will be closer so that Chinese enterprises that come to invest in Ireland and Irish enterprises that go to invest in China will reap more benefits from the fast development of the two economies. And in turn they will make greater contributions to the economic and social development of the two countries and to the friendship between the two peoples.

NOTES:

[i] European Division, MOFCOM, 2006 Statistics on Trade between China and European Countries, February 1, 2007.

[ii] Commercial Councillor's Office, Chinese Embassy in Ireland, 2006 Sino-Ireland Bilateral Trade and Investment, April 26, 2007.

[iii] Major bilateral economic and trade agreements between China and Ireland include: Economic, Industrial, Scientific and Technological Partnership Agreement 1986, Agreement on the Avoidance of Double -Taxation ,April 2004, Sino-Irish Partnership Agreement on Science and Technology, September, 2000, Agreement on Research Fund of Scientific and Technological Cooperation, December 2002, Protocol on the Quarantine and Veterinary Health Conditions for China's Importation of Pig Meat from Ireland, January 2005, etc.