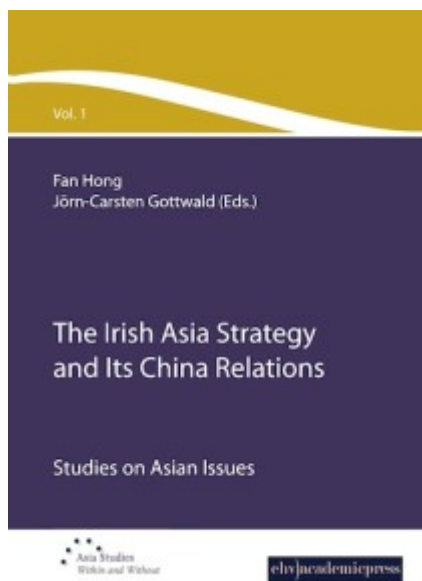


Chapter 13: Ireland's Unique Asia Strategy - The Irish Strategy In European Comparison ~ The Irish Asia Strategy And Its China Relations



13.1 Introduction

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

The second phase of the strategy (2005-2009) has been designed to encourage Irish foreign direct investment (FDI) in Asian countries, and vice versa. "The objective at this stage of the strategy is to intensify the wider range of interaction

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

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

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

In order to gain some insight into these topics and approach these questions, we will first closely examine Italy’s and Germany’s relations with arguably the most highly-profiled Asian market, China, and explore whether Ireland can learn any

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

13.2 *Italy-China Relations*

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

13.2.1 *Italy Reemerges from the Ashes in Industrial Style*

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

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

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

13.2.2 *Italy’s China Strategy*

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

economics and commerce take clear precedence, encompassing over 50% of the deals. Agreements on science and technology follow, trailed by pacts regarding culture, politics and other matters[xix]. Thus far, the Italian government has tended to maintain a policy of non-interference regarding China's internal affairs. What, then, drives Italy-China bilateral relations?

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

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

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

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

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

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

13.3. *German-China Relations*

German-Chinese relations have been characterized by economic fascination from their very beginnings. This assumption does not only apply to contemporary relations between the Federal Republic of Germany and the People's Republic of China. In the 19th century German missionaries and merchants travelled to China long before diplomatic relations were officially installed. Prussia regarded imperial influence and economic benefits in Asia as a prestigious project and thus decided to promote private business interests in the Middle Kingdom.

13.3.1 *A stable course of trade promotion*

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

examples of bilateral cooperation are the Environmental Forum and the Dialogue on High Technology.

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

13.3.2 *From nuances to discontinuity*

Enter the new *Bundeskanzlerin*. In 2005 Angela Merkel became Germany's first

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

13.3.3 *Change through policy entrepreneurship*

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

Dalai Lama. As a consequence the Chinese decided not to attend the 2007 symposium of the Rule of Law Dialogue in Munich. So far, a more open and confrontative attitude towards the Chinese leadership has not inflicted any harm on the bilateral economic exchange. A pragmatic approach indicates that neither China nor Germany will eventually risk mutual economic benefits on the long run. But Ms Merkel's gestures have definitely upset Beijing. Whether or not this new emancipated German policy will be accepted by Beijing or – in the worst case – bring China's focus to other European partner's remains to be seen.

13.4. *Ireland-China Relations*

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

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

13.4.1 *Sino-Irish Trade*

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

training to international finance[xxxii]. Both governments have worked together in an attempt to encourage growth between the two countries. In 2005 a number of bilateral agreements were signed by the states, including Inspection and Quarantine of the PRC and the Department of Agriculture and Food of Ireland on Veterinary and Health Requirement for pork to be exported from Ireland to the PRC; the Memorandum of Understanding on Cooperation in the Field of Software between the Ministry of Commerce of the PRC and the Department of Industry, Trade and Employment of Ireland; the agreement on Cooperation between National Natural Science Foundation of China and the Science Foundation of Ireland; and the Agreement of Cooperation between the China Council for the Promotion of international Trade and the China Chamber of International Commerce and the Chambers of Commerce of Ireland. The two education ministries also signed the Joint Declaration on Mutual recognition of Academic degrees in Higher Education[xxxiii]. These agreements have helped foster an environment where both countries can benefit from investment in software, education, culture, environmental, protection, tourism and services[xxxiv].

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

enterprising Irish companies have helped to fulfil Minister Martin's image of "Ireland's knowledge-based economy, built on innovation and technology, which are substantially shaped by the emergence of strong technology-led and export-focused Irish companies." Speaking at the China Focus conference held at University College Cork in 2006, Martin said that these Irish companies "have become world leaders in their respective industries."

13.4.2 *Ireland vs. China: Attaching FDI*

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

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

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

Visas are considered to be the biggest problem for Chinese people's development in Ireland, and were the cause of the majority of the problems[xlix]. Many students choose to study in Ireland because Ireland is an English speaking country, and entries-visa and tuition fees are relatively cheaper than in the UK and US[I]. However once in Ireland, most Chinese students experience problems with their visa at some stage during their stay. "Problems may arise as a result of students not knowing about the registration process, having insufficient money in

their bank account, or not yet having a permanent address at the time of registration. Sometimes students don't receive their 'Green Book' and sometimes they forget to extend the residence period at the appropriate time" **[li]**.

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

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

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

level degree should be able to remain on a professional working visa to gain work experience and contribute to the Irish economy[**lviii**].

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

13.4.4 *The Need for a Closer Cultural Relationship*

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

change that situation.

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

13.4.5 *What Ireland can Learn?*

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

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

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

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

13.5 Recommendations

Having scrutinized the problems concerning Ireland's existing Asia Strategy, and having examined the experiences of our European neighbours' relations with China, we now recommend that the following steps be undertaken to improve Ireland's relations with Asian nations:

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

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