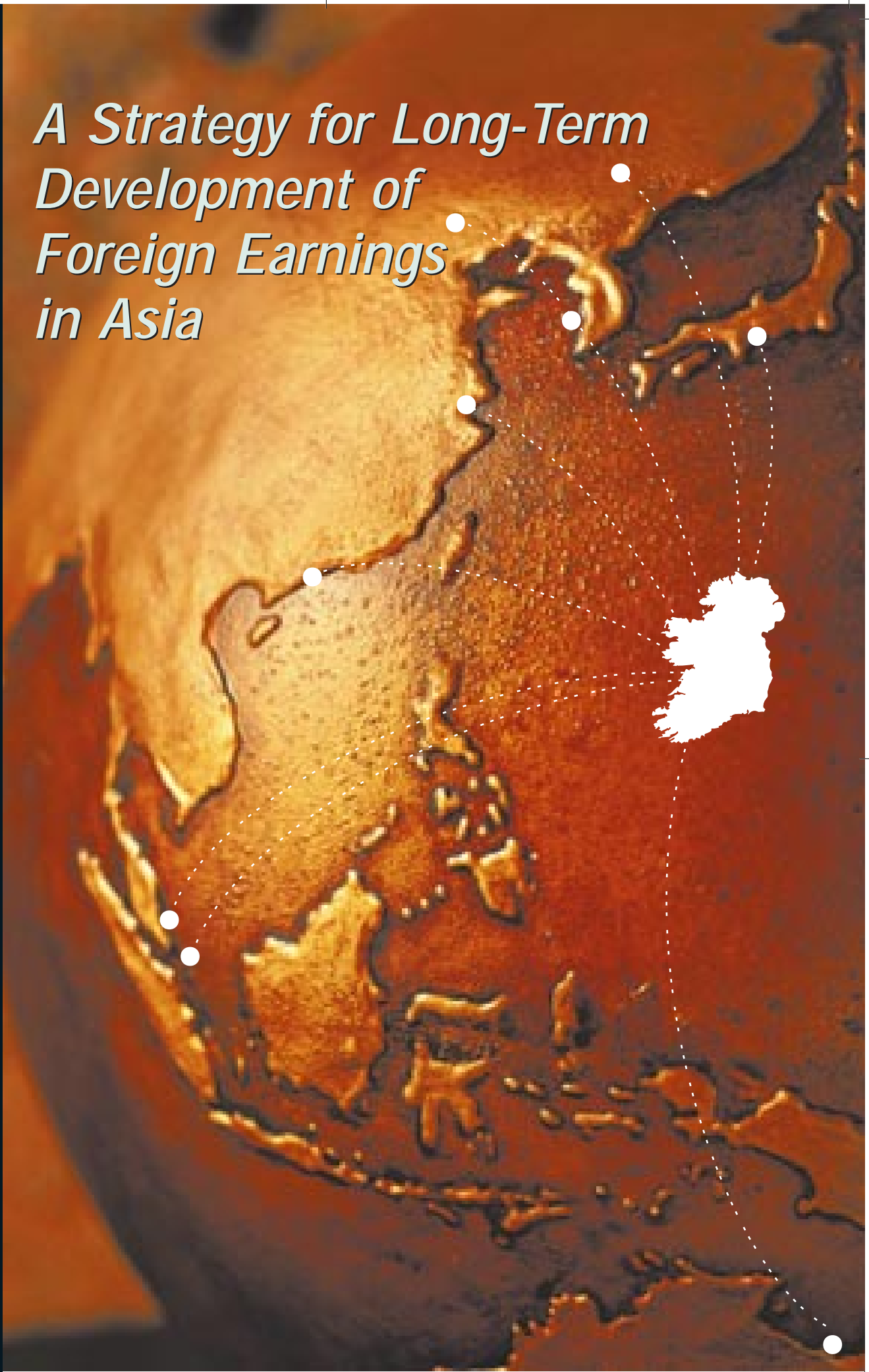


A Strategy for Long-Term Development of Foreign Earnings in Asia





Department of Enterprise, Trade and Employment

*A Strategy for Long-Term
Development of
Foreign Earnings in Asia*

OCTOBER 1999

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(Teil: 01-661 3111 - fo-lTMne 4040/4045; Fax: 01-475 2760)
nŠ trTM aon dTMoltŠir leabhar.

DUBLIN
PUBLISHED BY THE STATIONERY OFFICE
To be published directly from the
GOVERNMENT PUBLICATIONS SALES OFFICE
SUN ALLIANCE HOUSE, MOLESWORTH STREET, DUBLIN 2,
or by mail order from
GOVERNMENT PUBLICATIONS, DUBLIN 2,
(Tel: 01-661 3111 - ext. 4040/4045; Fax: 01-475 2760)
or through any bookseller.

Cost £5.00

Foreword

The Report of the Asia Strategy Group is the first ever detailed analysis of Ireland's economic interests in Asia and contains a series of challenging recommendations as to the strategy which we need to take in order to increase our political, trade and investment ties with Asia.

The Report is a welcome contribution to the debate about the growing importance of diversifying our trade geographically. Exporters and business groups played a key role in preparing this Report; they recognise that Asia will be the major engine of world economic growth in the next half century and that it is now time to take Asia seriously.

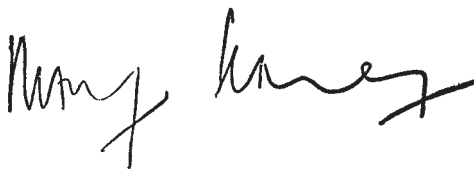
In February of this year, I undertook a trade & investment trade mission to Japan, Australia and New Zealand and met with a wide range of business, government and political leaders there. That visit allowed me to consider the report's recommendations at first hand. It highlighted the economic importance of Japan in Asia and the dynamic role which Australia and New Zealand can play in supporting our economic interests in the Pacific region.

Following that visit, I have sought Government approval for a new strategy to develop our foreign earnings in the Asia-Pacific region, including Australia. The new strategy follows the recommendations of this report and will be governed by two strategic aims. The first aim is to improve political and business contacts in the Asia-Pacific region. The second is to raise awareness of Ireland as an investment location and a source of high quality exports.

Specifically, the government has decided to:

- a) Establish an Asia-Pacific Strategy Committee and task it with implementing an integrated approach to the development of our economic ties in the Asia-Pacific region.
- b) Fund a sustained awareness-raising campaign to increase awareness about Ireland and to overcome one of the key impediments to increased trade and investment ties in this region, where we have had traditionally weak political and economic links.
- c) Establish an Ireland House Beijing and open a new Irish embassy in Singapore as well as new consulates in Sydney and Shanghai. It is intended that this increase representation will provide a platform for a vigorous new approach to the development of our foreign earnings in the Asia-Pacific region.

I look forward to keeping the public and the business community fully briefed on progress in implementing our new strategy.



Mary Harney, T.D.,
T/naiste and Minister for Enterprise, Trade and Employment



The members of the Asia Strategy Group are as follows:

Brian Whitney	Chairman
Tony Joyce	Department of Enterprise, Trade & Employment
Barbara Jones	Secretary to the Group
Malcolm Connolly	Bord Failte
Jim Bourke	Forfas
Helen Brophy	BIM
Raymond Kearns	Portobello College
Sandy Robertson	Smurfit
Colum MacDonnell	Irish Exporters Association
Fran Rooney	Baltimore Technologies
Gerry Hoey	Avonmore Waterford Group
Seamus Butler	Butler Manufacturing
John Doherty	IDA Ireland
Sean Kelly	SIFCO
Muiris Kennedy	An Bord Bia
Jackie Harrison	IBEC
Joseph Moore	Sigma Wireless
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Roisin Cahillane	Department of Agriculture
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Brendan Toomey	Department of Public Enterprise
Orla Tunney	Department of the Taoiseach
Brendan Hogan	Department of the Marine and Natural Resources
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Contents

Tables and Figures

Introduction

1. **Assessment of the economic importance of Asia and the long-term prospects for economic growth**
 - 1.1 The Region's diversity and economic dynamism
 - 1.2 Current Economic Situation
 - 1.3 Future Growth and Demand Prospects
 - 1.4 Conclusion

2. **Ireland's current foreign earnings interests and official representation in Asia**
 - 2.1 Overview
 - 2.2 Trade
 - 2.3 Foreign owned and Irish owned exports to Asia
 - 2.4 Services Exports
 - 2.5 Investment
 - 2.6 Obstacles to trade and investment
 - 2.7 Overview of Ireland's official representation in Asia
 - 2.8 Conclusion
 - 2.8.1 Trade
 - 2.8.4 Inward investment
 - 2.8.5 Resources

3. **The case for Asia and the main issues**
 - 3.1 The case for Asia
 - 3.2 Need for a long-term strategic approach to foreign earnings development in Asia
 - 3.3 Key objectives and targets
 - 3.4 Overview of the main issues: The way forward
 - 3.5 Raising awareness of Ireland in Asia

4. **Developing a selective approach to key markets and key sectors**
 - 4.1 Overview
 - 4.2 The priority markets
 - 4.3 The priority sectors

5. **The critical issues: Toward a unified policy approach**
 - 5.1 Overview of the critical issues
 - 5.2 Trade policy
 - 5.3 Importance of Government-Government relations
 - 5.4 Marketing of Ireland
 - 5.5 Policy Co-ordination
 - 5.6 Investing resources
 - 5.7 The strategy for China
 - 5.8 Funding and finance
 - 5.9 Visa policy
 - 5.10 Education and Training
 - 5.11 Partnership with local Irish networks and existing Irish businesses
 - 5.12 EU programmes

6. **Recommendations and next steps**
 - 6.1 Recommendations
 - 6.2 Priority actions

Bibliography

Annexes

- 1 Statistical analysis of exports and indigenous non-food exports to the main Asian markets 1996-1998.
- 2 Summary of mini-survey of selected Irish companies regarding their outward investments in Asia.
- 3 Analytical framework used to devise Asia Strategy

Tables and Figures

Tables

Table 1 GDP Performance in selected Asian Economies 1996-1998

Table 2 GDP Growth Forecast 1999-2002

Table 3 Value of Irish export to Asia markets 1997

Table 4 Main Asia markets for food and drink exports 1997

Table 5 Main Asian markets for Irish-owned non-food exports

Table 6 Asian Investment in Ireland

Table 7 Irish representation in Asia and associated costs

Table 8 Comparison of staffing levels and distribution of staff for Chinese market

Table 9 Key opportunity markets and sectors

Table 10 The priority actions

Figures

Figure 1 Diversification of Irish Exports in global markets - 1997

Figure 2 Agency staff level overseas

Figure 3 Agency spending on overseas representation

Introduction

Following the Taoiseach's official visit to China in September 1998, he directed that a report be prepared for Government outlining a strategy to promote Irish foreign earnings in China and in the Asian region in the long term.

An Asia Strategy Group was established in October 1998 under the chair of the Department of Enterprise, Trade and Employment to consider how best to increase trade and investment between Ireland and Asia. The work of the Group focused primarily on economic issues underlying Ireland's co-operation with Asia. The membership of the Group was drawn from a wide array of key private and public sector interests. The Asia Strategy Group held three plenary meetings, received a wide range of written submissions and consulted with outside groups and other interested parties.

The Group decided to use the period 1999-2004 as the timeframe for the strategy and to focus on those countries of Asia beyond the Middle East and the CIS. Essentially the area in question consists of three large geographic regions:

East Asia:	Japan, South Korea, Hong Kong, China, Macao, Mongolia, North Korea, Taiwan
South Asia:	India, Bangladesh, Bhutan, Nepal, Pakistan, Sri Lanka
South East Asia:	Singapore, Brunei, Philippines, Malaysia, Indonesia, Cambodia, Laos, Myanmar/Burma, Thailand, and Vietnam

The report aims to identify the key factors which make Asia relevant to Irish long-term foreign earnings interests and the key markets and sectors where Ireland has, or can offer, comparative advantages. The framework outlined in this report is not a detailed planning statement of all the actions required nor does it include detailed objectives for individual sectors or markets. Rather, the report aims to identify the main policy actions to be taken now in order to position Ireland both politically and economically to take full advantage of foreign earnings opportunities in Asia in the long-term.

The Report has six chapters:

- (i) Assessment of the economic importance of Asia and the prospects for long-term economic growth
- (ii) Analysis of Ireland's current foreign earnings interests and official representation in Asia
- (iii) The case for Asia
- (iv) Developing a selective approach to key markets and key sectors
- (v) The Critical Success Factors: Towards a unified policy approach
- (vi) Recommendations and next steps

CHAPTER 1

Assessment of the Economic Importance of Asia and the Long-term Prospects for Economic Growth

1.1 The Region's diversity and economic dynamism

- 1.1.1 Asia is the world's largest and most populous continent. It accounts for 60% of global population amid great political, economic and cultural diversity. Over the last three decades, the economic dynamism displayed by Japan, China and the Asian 'tiger' economies of Singapore, Malaysia, Taiwan and South Korea has earned Asia recognition as an engine of growth for the world economy. Japan is the second largest economy in the world and exerts huge economic influence on all industry, commerce and finances of the region. Several Asian economies have been high performers in the past decade, the most noteworthy being China with consistent growth rates of up to 11% throughout the last decade. In 1960, Asia produced approximately 4% of world GNP; in the current decade, that figure has already advanced to more than 25% of world GNP. As a result of these economic growth rates, Asia has emerged as one of the three major global economic centres after Europe, the US and Canada.
- 1.1.2 Japan, Hong Kong, China, Taiwan, Malaysia, Thailand and Indonesia are all part of the group of 25 leading exporters and importers of world merchandise trade and commercial services. China was among the leading world traders in 1997 - Ireland itself joined the club of leading 25 exporters last year as a result of our own strong export performance. In terms of economic profile, Japan, Singapore, Taiwan and parts of China are acknowledged world leaders in technological development for the IT industry and these Governments attach policy priority to being at the leading edge of the next wave of knowledge-based economies of the world.

Importance of Japan and China

- 1.1.3 Japan is a democratic, developed State which is by far the dominant economy of the region and is the major source of regional investment. It is the largest trading partner for China, South Korea, ASEAN and practically all the countries of Asia/Pacific. China's economy is still only one seventh the size of Japan's but it is developing rapidly and is looking to establish itself as the third largest economic power in the world. Japanese investments have been critical to the rapid development of its neighbours. Japan is by far the largest provider of ODA in the world and, needless to say, in the region.
- 1.1.4 Many experts predict that China could emerge as the world's leading economic power in the next 30 years. The World Bank estimates that if China maintains its current economic reform programme, by 2020 it will be a middle income country with a population in excess of 1.5 billion and per capita incomes equal to those of Argentina and Portugal. It also estimates that, by 2020, China will be the second largest trading nation in the world and a major force in global markets.
- 1.1.5 In terms of consumer demand, China offers enormous opportunities and has potentially the biggest single generic market in the world. In the IT market in 1997, 4 million PCs were sold in China and demand has been growing by 30 to 40 per cent since 1993. PC manufacturers Dell and Compaq estimate that there is a potential market of over 200m PC users in 5 years. Similar profiles apply in other sectors especially in telecommunications, which is now the single biggest industry in China after agriculture, as a result of massive foreign investment. In 1997, there were 7 million installed mobile telephones in China. By the beginning of 1998 this had increased to 14 million. By September 1998, this figure had exceeded 21 million - a 200 per cent market growth in one year.

Regional Political Context

- 1.1.6 Dramatic changes have been taking place in many Asian countries in the context both of democratic liberalisation and of human rights. China is in many respects the litmus test for Asian compliance with international human rights standards. While the People's Republic continues to be a centralised totalitarian state, it is clear that current economic reforms are leading increasingly to free market conditions. The human rights situation remains a matter of international concern but significant improvements in civil liberties have taken place in recent years and China has now signed - although not yet ratified - the two major international covenants on human rights.
- 1.1.7 Japan and India are fully-fledged democracies. South Korea and Taiwan have also taken major steps towards becoming fully democratic societies and the same is generally true of the ASEAN states, with the obvious exceptions of Burma and Vietnam. Future political stability in Asia, the growth of pluralist democratic conditions there and recovery from the current economic crisis are increasingly viewed as interlinked

1.2 Current Economic Situation

Recent turmoil

- 1.2.1 Considerable analyses have been carried out of the financial crisis which has affected Asia since the devaluation of the Thai baht and continuing through the Japanese banking crisis. In summary, since July 1997, the Asian region has been affected by a severe financial crisis which has provoked a recession in Japan and great economic disruption both regionally and globally. Many of the regional economies are currently characterised by falling and sometimes negative economic growth. Indonesia, Korea, Malaysia, Philippines and Thailand are the five Asian countries which were most affected by the crises.

		1996	1997	1998
ASIAN	Indonesia	8.0	4.6	-15
	Malaysia	8.6	7.8	-6.4
	Philippines	8.7	5.1	-0.6
	Singapore	6.9	7.8	0.0
	Thailand	5.5	-0.4	-0.8
Other Asia	India	7.5	5.6	4.8
	Republic of Korea	7.1	5.5	-7.0
	Japan	3.9	0.8	-2.5
	Hong Kong, China	4.6	5.3	-5.0
	China	9.6	8.8	5.5

Source: IMF, World Economic Outlook, Sept. '98

- 1.2.2 The WTO assessment of the trade impact of the crisis shows that the value of Asia's imports and exports continued to shrink in the third quarter of 1998. Intra-Asian trade continues to be most affected, falling about one quarter below the corresponding level of the preceding year. In the first nine months of this year, Asia's exports are down by about 7 per cent while imports contracted by an even faster 16 per cent. Imports of the five Asian countries most affected by the financial crisis fell by one-third while their exports decreased by 3 per cent. Japan's exports are down by 8.5 per cent in the first nine months while imports fell more than two times faster at 19 per cent. This has led to a marked rise in Japan's trade surplus.

IMF positive

1.2.3 The recent financial upheavals in the Asian region have raised questions about the durability of the growth in the East Asian economies and the factors that underlie it. The IMF recently undertook a review of the issue¹ which concluded that East Asia's long-term growth prospects remain good, providing that major and sustained restructuring of the financial and corporate sectors is undertaken. In addition, the most recent IMF public statements suggest that Asia's economies appear to be through the worst: foreign-exchange reserves are rising, current account surpluses are growing and interest rates have fallen sharply. The IMF clearly identify Japan as having a critical role and responsibility for reform and emphasises the links between macro-economic and structural reform, deregulation and market stimulation. Unlike some of the other countries in crises (e.g. Russia), Japan has abundant reserves to resource economic recovery programmes.

Japan's role

1.2.4 Japan has acted to alleviate the financial crisis. The Diet passed a long-awaited law that should accelerate the task of restructuring the Japanese banking industry. Japan's efforts to stimulate and restructure its own economy have immense significance for the region. Japan has moved to shake out some non-performing elements of its banking sector, to recapitalise remaining solvent banks and to greatly increase the capital deficit adequacy ratio. The Government secured the enactment of three supplementary budgets between April and December 1998 totaling 50 trillion yen (about 10% of Japan's GDP) of government expenditure and tax cuts. The first of these packages began to show an effect in the autumn and it is likely that the bulk of the packages will only become clear in fiscal 1999. In mid-December, the Government announced a further proposal for 9.3 trillion yen in tax cuts in 1999. From late 1997, Japan has been directing massive funds to the region aside from its contributions through the IMF. In November, Japan announced the provision of a further \$30 million and in mid-December, at a meeting of ASEAN in Hanoi, which was also attended by China and South Korea, Japan announced the extension of a further 600 billion yen loan package over three years, industrial training programmes for 10,000 people working in core industries in the region and earlier extension of the \$30 billion package previously announced. Given the enormous dependence of the region on Japan, it is recognised that Japanese policies to reform and stimulate its own economy and to provide financial and other aid to its neighbours will be critical to the recovery of ASEAN and South Korea and to the further development of China.

No retreat to protectionism

1.2.5 China is also giving leadership by retaining a strong commitment to economic liberalisation and growth. It continues to pursue its application for accession to the World Trade Organisation, although progress is slow. Thailand and Korea are expecting economic growth again next year, and even Indonesia is seeing the first signs of improvement. A most encouraging feature of the response to date has been that, with almost no exception, countries have neither chosen to retreat behind protectionist barriers nor have they rolled back the measures of liberalisation already undertaken. This has been especially visible in China. The European Commission is particularly focused on encouraging the Asian economies to continue a liberalisation approach and is monitoring protectionist developments in the various economies.

1.3 Future Growth and Demand Prospects in Asia

1.3.1 Even taking account of the effects of the Asia crisis, the Economist Intelligence Unit's (EIU's) most recent forecasts anticipate substantial growth in almost every one of Ireland's major trading partners in Asia over the next 4 years. The EIU's findings are summarised in the table on page 11 which shows that Japan, Taiwan, South Korea, China and Singapore are all forecast to have positive GDP growth with a solid upswing in these major markets by 2000. In these forecasts, China's GDP growth is estimated to increase by over 30% in the next four years.

Demand Drivers

1.3.2 In the framework of renewed economic expansion in these Asian economies in the medium term, seven major drivers of demand in Asia can be identified.

¥ Market liberalisation and deregulation.

In the case of Japan, deregulation is accelerating and new opportunities are emerging in sectors such as housing, banking, electronic commerce and related services. International pressure to further deregulate, for example in

the retailing sector, will have positive effects for Irish exporters of consumer products - long inhibited by non-trade barriers such as difficult distribution channels.

¥ Expanding consumer demand.

¥ Expansion of the indigenous manufacturing base as the impact of globalisation of trade puts pressure on Asian economies to become more competitive e.g. China, South Korea, Singapore and Malaysia.

¥ Expansion of the multinational manufacturing presence as foreign direct investment into Asia continues to grow rapidly and MNCs in the region continue to seek global supply.

¥ Expansion of services demand as the need for 'Best Practice' service in areas of education and training, IT, public policy management and environmental management is addressed.

¥ Renewed investment in infrastructure and technology: Target developing markets will be China, Thailand and the Philippines and key sectors will be telecommunications, energy including in the aid funded sector.

EIU GDP Growth Forecast 1999-2002 Table 2

GDP %	1997	1998	1999	2000	2001	2002
China	8.8	6.1	7.0	7.4	7.9	8.2
Japan	0.8	-2.3	0.2	1.0	1.6	1.9
Hong Kong	5.3	2.0	-0.5	2.0	3.0	4.0
Malaysia	7.8	6.0	-2.2	2.1	3.3	4.3
Philippines	5.1	2.0	3.2	3.9	4.8	5.2
Singapore	7.8	-0.5	1.4	3.1	4.2	5.2
South Korea	5.5	-7.9	2.3	4.4	4.7	4.8
Taiwan	6.8	4.4	4.8	5.3	5.6	6.0
India	4.7	5.3	5.7	5.0	6.1	5.9
Indonesia	4.6	-15.0	-2.3	-1.2	1.2	2.9
Thailand	-8.0	-1.4	4.2	4.6	4.7	5.2

Source: Economist Intelligence Unit Country Reports Third quarter 1998

1.4 Conclusion

1.4.1 The Asia Strategy Group recognises the growing importance of Asia both politically and economically. Economic developments over the last three decades have seen the region emerge as one of the three major global economic centres after the EU and US/Canada. Japan's dominance in the region economically is recognised. China's importance is also undeniable. It is the fastest growing economy and largest generic market in the world. The Group noted that in terms of economic development Japan, Singapore, Taiwan and parts of China are acknowledged world leaders in technological development for the IT industry and those Governments attach policy priority to being at the leading edge of the next wave of knowledge based economies of the world.

1.4.2 The Asia Strategy Group took note of the recent analyses of the impact of the Asian financial crises on the leading economies in Asia. While agreeing that the outcome of the current crisis is difficult to predict with great accuracy, the Group concluded that the medium term prospects for renewed economic development in the region remain very good. The Group also noted that the momentum towards market liberalisation and open trading systems, which had been developing prior to the crisis, may actually have been strengthened by the recent events. This fact and other demand drivers augur well for the medium term growth of Irish exports to the region.

1.4.3 The Asia Strategy Group notes that the medium term growth performance now forecast for East Asian economies supports the view that the next century is destined to become the Asian century in the way that the 20th century was the Atlantic century. Optimistic forecasts see that by 2015:

¥ Asia will make up 50% of world economic growth

¥ Asia will account for one half of world trade

¥ Asia will represent 33% of world production

¥ Asia will dedicate over 1 trillion dollars in infrastructure programme

¥ over 1 billion Asians will possess 'significant buying power' and

¥ over 400 million Asians will possess purchasing power equivalent to Europeans today.

CHAPTER II

Analysis of Ireland's current foreign earnings interests and official representation in Asia

2.1 Overview

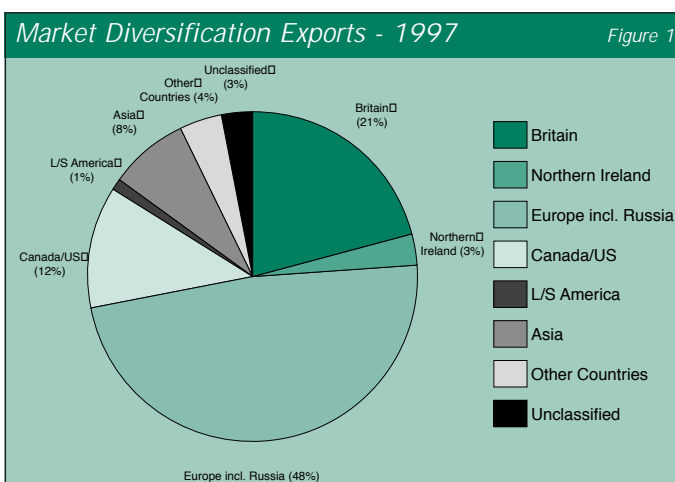
The key points about the level of Ireland's current trade and investment with Asia are:

- ¥ The overall level of trade is modest. Merchandise exports totalled £2.9 billion in 1997. This total is slightly higher than the total value of Irish merchandise exports to France in 1997.
- ¥ Approximately 90% of exports come from foreign owned firms based in Ireland.
- ¥ The major Irish exports to Asia come from the multinational dominated sectors of pharmaceuticals, computers and chemicals.
- ¥ The value of Irish owned manufactured exports in 1997 to Asia was £258 million or 9% of total merchandise exports to Asia.
 - Food and drink are the major export and Bord Bia estimate that they reached £150 million in 1997.
 - Enterprise Ireland estimate that Irish owned non-food exports totalled £108 million in 1997
- ¥ Imports from Asia are significantly higher - £5.1 bn in 1997. As a result the trade balance is heavily in favour of Asia and becoming increasingly so - £2.2 bn in 1997.
- ¥ Services exports to Asia are growing.
- ¥ Asian investment in Ireland is modest.
- ¥ Over the past ten years, Asian investment here averages around 5% of total FDI .
- ¥ Outward investment by Irish companies in Asia is very low.

2.2 Trade

2.2.1 Total trade between Ireland and Asia grew from £5.9 billion in 1996 to £7.9 billion in 1997, an increase of 33%. For January to July 1998, the total trade has grown from £4.2 billion for the same period in 1997 to £5.2 billion, an increase of 23%.

2.2.2 Ireland has a merchandise trade deficit with Asia, which grew from £1.6 billion in 1996 to £2.2 billion in 1997 and £1.8 billion for the first 7 months of 1998. Although exports in 1997 increased by 32%, imports increased still faster at 34%. For the first seven months of 1998, imports continued to grow rapidly at 31%. Export growth for the same period showed a significant slowdown at 8%. This was mainly due to a dramatic decrease of 48.5% in the value of exports to Malaysia, which is one of the five Asian economies most seriously affected by the Asian financial crisis.



Note: Asia includes south, south east, east and central Asian countries. Other countries includes Africa, Middle East, Australia, New Zealand and CIS

Irish Exports to Asia: Poor diversification

- 2.2.3 Merchandise exports to Asia totalled £2.9 billion in 1997, a figure slightly higher than total Irish exports to France. This £2.9 bn total in 1997 represents 8% of global merchandise Irish exports as compared with 66.5 % to the EU and 12% to US and Canada.²
- 2.2.4 Table 3 gives the value of all Irish merchandise exports to each of the markets considered by the Asia Strategy Group. It highlights that Japan is by far and away the major market in Asia followed by South Korea, Malaysia, China and Singapore.

2.3 Foreign Owned and Irish Owned exports to Asia

- 2.3.1 Approximately 90% of Irish exports to Asia come from foreign owned firms based in Ireland. The major Irish exports to Asia come from the multinational dominated sectors of pharmaceuticals, computers and chemicals.

Irish owned food exports

- 2.3.2 The total value of exports of Irish owned firms to Asia is estimated at £258m in 1997. Food and drink is the major export. In 1997, Bord Bia estimate that food and drink exports totalled £150 million. The main markets in 1997 were Japan and China including Hong Kong and Taiwan. This indigenous export total includes exports of seafood from Ireland to Asia amounting to £22.8 million or 10% of the total value of Irish seafood exports (i.e. £228 million).

Irish owned non-food exports

- 2.3.3 Enterprise Ireland estimate that the value of non-food manufactured indigenous exports to the main Asian markets was £216 million or 3% of total non-food manufactured indigenous exports. Enterprise Ireland estimate that the value of exports from Irish-owned companies to Asia was £108.4m distributed as follows.

Value of Irish Exports to Asia Market

Table 3

Market	Exports 1997 £(000)
Japan	1,124,071
South Korea	500,237
Malaysia	313,565
Hong Kong	194,660
Philippines	160,402
Singapore	216,941
Taiwan	108,883
Thailand	79,690
China	33,509
India	33,490
Indonesia	26,859
North Korea	21,944
Pakistan	17,952
Vietnam	5,872
Sri Lanka	5,427
Bangladesh	3,259
Nepal	1,303
Papua New Guinea	927
Macao	823
Brunei	793
Burma	717
Afghanistan	427
Kampuchea	190
Maldives	112
Mongolia	1
Bhutan	
Total:	2,852,054

Source: CSO *Excludes CIS and Middle East

Main Asia Market for Food & Drink Exports '97

Table 4

Market	£
Japan	55m
China (Mainland)	2.7m
Hong Kong	9m
Taiwan	6m

Source: An Bord Bia

Main Asia Markets for Irish-owned non-food exports

Table 5

Market	Merchandise Exports £(000)
Japan	24,390
Malaysia	15,123
China	13,926
Hong Kong	8,623
Taiwan	6,794
Pakistan	8,181
Singapore	7,915
South Korea	6,984
Thailand	5,273
India	4,574
Indonesia	2,079
Philippines	1,363
Vietnam	971
Brunei	918
Bangladesh	472
Mongolia	385
Papua New Guinea	150
Sri Lanka	142
Kampuchea	93
Macao	45
Total	108,401

Source: Enterprise Ireland

2.4 Services Exports

- 2.4.1 Estimates for total services trade with Asian markets suggest that it is significant and growing. The major components of services exports to the region are Software Services, Consultancy Services (e.g. ESBI, Aer Rianta) and Educational Services (e.g. private third level colleges, RCSI, Universities). Education shares the problem of measurement difficulty with most of the service sectors. There are approximately 3,500 foreign students in Irish third level colleges currently and the net benefit to the Irish economy is \$75m. About 500 of these are from the Asian region and the potential for growth is considerable.
- 2.4.2 The Aid-funded sector (e.g. World Bank) is an important area for consultancy services exports. Bilateral aid support for Irish companies is viewed as having helped both business development and development aid priorities (e.g. Vietnam). As regards tourism, Japan is the major Asian market at present. Bord Fáilte advise that in 1997, Ireland received 36,000 visitors from Japan - an increase of 3,000 on the previous year. Visitors from other Asian countries are estimated at 37,000 for 1997 compared to 35,000 in 1996.

2.5 Investment

Inward Investment

- 2.5.1 Asian investment into Ireland over the past 10 years averages around 5% of total mobile inward investment into Ireland. In 1997, there were 5,587 permanent jobs in all Asian companies in Ireland. The breakdown of these jobs by country of origin is shown in Table 6.

Country	No. of Companies	No of Jobs
Japan	50	4,451
Korea	7	515
India	1	348
Singapore	1	225
Hong Kong	1	5
China	2	43
Total	62	5,587

- 2.5.2 The UK has traditionally been the main beneficiary of Asian investment with around a 40% share of Asian FDI in the EU. IDA strategy is based on sector/country potential and their priority countries in East Asia are Japan and Taiwan. The Asian economies are potential sources of FDI for Ireland as well as new competitors, along with our more traditional competitors (e.g. Scotland, Wales, France and Spain).

Outward Investment

- 2.5.3 While there is no reliable mechanism for measuring outward investment a brief survey of selected Irish companies confirms that their level of investment in Asia is low with a continued focus on UK, the EU and US markets for outward investment. The main findings are summarised at Annex 2. The review also highlighted that market access difficulties in some trading sectors have required Irish companies to go down the road of acquisitions and joint ventures in these markets.

2.6 Obstacles to Trade and Investment

- 2.6.1 The Asia Strategy Group agreed that restrictive trade and investment practices are a significant constraint to the development of Irish foreign earnings interests in Asia as a result of trade barriers. In many sectors Irish exports do not enjoy complete access to Asian markets. In some cases (e.g. Japan) formal tariff rates on most imports are now at relatively low levels, while non-tariff barriers such as non-transparency, discriminatory standards and exclusionary business practices hinder access for foreign goods and investment.
- 2.6.2 The European Commission has been pursuing over the past 3 years the dismantling of non-tariff barriers by Japan. A long list of barriers to EU exports has been identified in consultation with Member States and is gradually being addressed both bilaterally and multilaterally. In other cases (e.g. China) the liberalisation of the trade regime has been very slow. There are prohibitively high tariffs which discourage many imports as well as formal non-tariff measures which also restrict imports (e.g. import quotas, restrictions and controls and tendering requirements). In the context of its accession to the WTO, China will be required to make significant liberalisation commitments, both on tariffs and non-tariff barriers.

2.7 Overview of Ireland's Official Representation in Asia

2.7.1 At headquarters, policy responsibility for Asia is shared between several government departments and with the main promotional agencies.

At field level, the Government operates three official networks in Asia:

- (1) A Diplomatic network comprising five resident Embassies with thirteen diplomatic officers.
- (2) An Enterprise Ireland network comprising five offices with eight executive staff.
- (3) An IDA network comprising three offices with a total staff of nine.

2.7.2 Table 7 summarises the staffing levels, geographical spread and costs of these three networks. This table also gives each market rank in terms of its importance as a trading partner for Ireland.

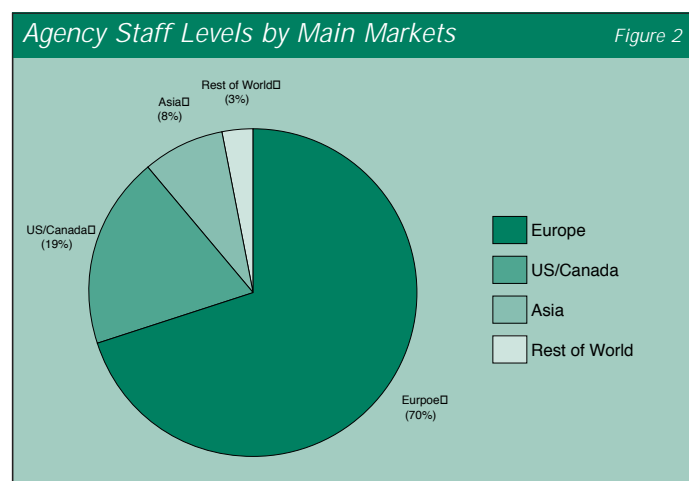
Rank	Market	Embassy	EI	IDA	Bord Failte	Total Costs £000	Premises
6	Japan	(3) 9	5	6	2.5	2824	Ireland House
8	Singapore	0	3	0	0	290	
11	South Korea	(2) 7	0	1	0	584	Ireland House
15	Malaysia	(2) 6	2	0	0	595	
17	Taiwan	0	0	2	0	215-	
20	China-Beijing	(3) 15	1	0	0	568	Embassy, EI
	Shanghai	0	1	0	0	28	
21	Hong Kong	0	2	0	0	255+	
22	Thailand	0	0	0	0		
26	Philippines	0	0	0	0		
40	India	(3) 20	0	0	0	416	
Total cost of Asian operations						£5.775m	

Some of these offices have side accreditation to other markets.
Embassy staff figures in brackets refer to diplomatic grades.

2.7.3 The preceding table illustrates the modest level of Ireland's representation and that it is spread across various Asian markets in line with the assessed priorities of Government and of agencies themselves. The total cost of these three networks was £5.75m in 1997. The major concentration of Ireland's representation in Asia is in Ireland House, Tokyo. This arrangement involves the sharing of premises and resources between the diplomatic service and promotional agencies. As in other markets, there is no systematic integration of foreign earnings objectives either at headquarters or field level.

Deployment of Resources Globally

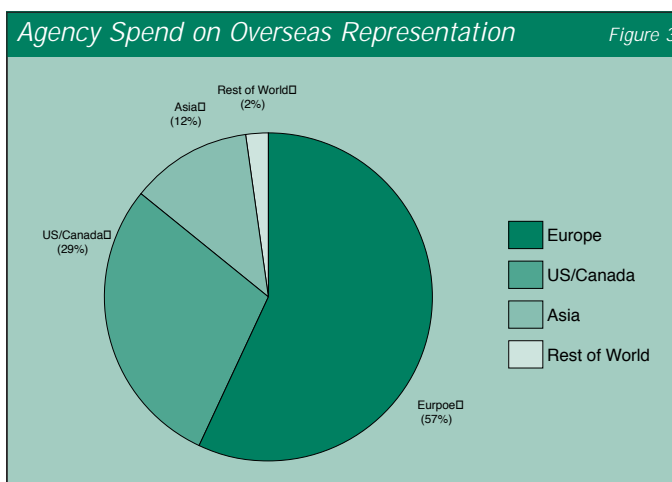
2.7.4 The staff and promotional resources devoted to Asia market development are best appreciated in the context of the deployment of such resources globally. Figure 2 sets out graphically the level of representation (i.e. the staff numbers) of the main promotional agencies in the major economic regions of the world. Figure 2 that overseas staff resources are largely deployed in the developed markets of Europe and North America.



In addition, it highlights that overseas staffing levels for the Asian markets claim less than 10% of total overseas staff resources.

Deployment of Resources Globally (continued)

Similarly, figure 3 illustrates the concentration of spending by the promotional agencies on overseas representation in the main economic regions of the world. This figure shows that staffing costs, promotional costs and other overhead costs for Asia absorb over 12% of agency overseas budgets. This indicates that Asia is relatively costly to operate in vis-à-vis other geographic areas.



Comparison of Market Place Resources

2.7.5 The Asia Strategy Group noted that competitors of a comparable size to Ireland frequently deploy higher levels of staff and greater promotional resources than Ireland does, even on a proportional basis, in global markets. In Asia, this is also the case. As was seen earlier (Table 7), Ireland has no representation at all in significant states and economies of Asia. Even where we do have representation, as in China, Ireland is significantly under-resourced for political, commercial and trade purposes compared to similar sized EU partners, who in these markets are competitors. Table 8 compares the staffing levels and distribution of staff resources of the three main Irish networks for the China, Taiwan and Hong Kong markets with the deployed staff resources of similar sized EU states in these markets.

Comparison of staffing level of distribution of staff for Chinese market Table 8

Country	Netherlands	Finland	Denmark	Ireland
Trade 1997	US\$8.1bn	US\$1.23bn	US\$1.277bn	€337m
Beijing				
Home-based*	19	13	9	5
Other expatriate	6		2	
Local office staff**	20	12	11	5
Shanghai				
Home-based*	9	4	2	
Other expatriate	1		3	1
Local office staff**	10	4	5	1
Guangzhou				
Home-based*	4	0	3	0
Other expatriate		0	0	0
Local office staff**	5	0	2	0
Hong Kong				
Home-based*	6	4	2	Hon Con
Other expatriate				
Local office staff**	10	4	2	2 E.I.
Taipei-unofficial				
Home-based*	2	1	2	1 IDA
Other expatriate				
Local office staff**	2	2	2	1 IDA
Totals				
Home based & Expat.	47	22	23	8
Total inc. local office staff	94	44	45	17

* Home-based staff numbers include diplomatic, specialist and support staff
 ** Local office staff in Beijing are employees of the Diplomatic Service Bureau

The table highlights:

- ¥ The comparatively low staffing level deployed by Ireland compared to our competitors
- ¥ The regional approach to market development in use by other EU member states, and
- ¥ The high levels of support staff (drivers, translators, interpreters) needed to make an impact in the China market.

2.8 Conclusion

Trade & Outward Investment

2.8.1 The Asia Strategy Group noted the modest levels of trade and investment between Ireland and Asia. In the case of merchandise trade, the dominance of exports from foreign owned businesses was noted in the product areas of pharmaceuticals, chemicals, telecommunication and electronics. The needs of this sector in terms of supplying or developing trade into Asia from a base in Ireland fall beyond the mandates of the state promotional agencies and as such are poorly represented in this report.

- 2.8.2 Irish owned companies export relatively little to Asia at present. The main merchandise exports are in the food and drink sector with some niche technology exports. However, services exports are strong particularly in the niche areas of education services and English language teaching. There are approximately 3,500 foreign students in Irish third level colleges currently and the net benefit to the Irish economy is \$75m. About 500 of these are from the Asian region and the potential for growth is considerable.
- 2.8.3 In the indigenous area, compared to the range of opportunities on offer and the performance of competitors, our export performance to date has been weak. Geographically our foreign earnings interests currently are seen to lie predominantly in Europe and North America. Resources for FDI, diplomatic and trade promotion are also concentrated heavily in mature and developed markets. The Group noted that market access difficulties in Asia and a traditional focus on UK and Europe militated against the globalisation of indigenous exports and accounts for the poor share of markets in Asia.

Inward Investment

- 2.8.4 IDA has for over 25 years been involved in Asia. Asian investment into Ireland over the past 10 years averages around 5% of total mobile inward investment into Ireland. In 1997, there were 5,587 permanent jobs in all Asian companies in Ireland. Figures for investment from the region indicate that the total number of projects into Europe stood at around 1,300 in 1997. IDA recognise that as well as being sources of potential FDI for Ireland, the Asian economies are also competitors for mobile investment - along with our more traditional competitors such as Scotland, France and Spain. Whilst individual Asian companies have been coming to Europe for over 30 years, the main waves were 1985-1990 (Japan) and 1995-1997 (Korea/Taiwan). The UK has traditionally gained a 40% market share of Asian investment into Europe.

Resources

- 2.8.5 The question of the appropriate resource level for foreign earnings development was considered at length by the Group. There was consensus that comparably sized competitors - e.g. Denmark - devote considerably greater resources for market development in the Asia region than Ireland does. Such resources underpin their long-term approach to the market and recognise that the business culture in Asia requires a strong government/private sector partnership. The Group recognised that the current resource levels reflect each agency's independent assessment of priorities and the possibilities for return on investment in the short-term having regard to opportunities in other markets.
- 2.8.6 From a trade perspective, the Asia Strategy Group agreed that there is a direct correlation between the level of resources invested in market development and return on investment in the long term. It also agreed that diplomatic work - including career consuls - have a direct instrumental role in supporting commercial efforts in Asia given the business culture and the strong role which government plays in economic and business life.
- 2.8.7 In the case of FDI, the Group noted the distinctive IDA experience as regards staffing levels. Over 25 years of IDA presence, staff deployment levels have been kept constantly under review. In Asia, these levels have gone from 1 person in 1974 to 18 in 1990 to the present level of 7/8. In terms of return, the 20-year rolling average is about 2-3 projects per annum, irrespective of how many resources IDA have in place. The Group noted the IDA view that the issue of resource was not germane to their activities given their actual experience and the disproportion between costs and return.

Chapter III

The Case for Asia

The Main Issues

3.1 The Case for Asia

- 3.1.1 The Asia Strategy Group considers that the economic importance of Asia, coupled with its role as an engine of innovative industrial practice in the global economy, means that in the long-term Ireland cannot afford to ignore the opportunities arising in these markets from either a trade, investment or national competitiveness point of view. In the context of developments such as globalisation and trade liberalisation, the Group considers that Asia has an important contribution to make to Ireland's national foreign earnings interests in four key areas:
- ¥ As a source of sustainable, high quality employment.
 - ¥ For diversification of sources of such sustainable employment.
 - ¥ For diversification of trade, so that we stay close to expanding markets and avoid declining markets.
 - ¥ As a source for the promotion of domestic wealth generation and innovation.

The Group noted that Asia retains a high priority for our competitors for FDI, services and manufactured exports.

- 3.1.2 The Group supports the conclusion of the Annual Competitiveness Report of the National Competitiveness Council regarding the need for trade diversification as a policy priority, both in terms of destination for exports and composition of exports. The Asia Strategy Group's own analysis of trade and investment levels demonstrated that Ireland's foreign earnings interests in Asia remain very modest as regards export markets, product sectors and also sources of FDI.
- 3.1.3 The Asia Strategy Group recognises that a balance has to be struck, in the deployment of state resources for foreign earnings, between markets offering a short to medium term return on investment and markets where significant return may emerge only over the longer term. However, consideration of the long-term growth forecasts for Asia suggests that it is essential to increase the current levels of investment in developing political and economic relations with Asia, so that Irish enterprise does not miss out on the market growth opportunities that Asia will provide in the long term. Such an approach could form part of an explicit policy to support the globalisation of Irish exports. The Group agreed that a key component for the success of such an approach is partnership between state and the private sector.

3.2 Need for a Long-term Strategic approach to Foreign Earnings Development in Asia

- 3.2.1 Against this background, the Asia Strategy Group recommends that the Government establish a strategic policy framework to promote the development of foreign earnings in Asia. In recognition of the importance of a long-term commitment to this market, and the importance of building up key relationships, it is recommended that the time perspective for return on investment made within this framework be explicitly of a long term nature. The development of policy for Asia should be characterised by a close partnership between industry interests and the state sector.

Political Relations with Asia

- 3.2.2 Such a policy framework can also recognise that large Asian countries like China, Japan and India (and groupings such as the ASEAN countries) expect recognition of their political weight and standing and proper attention must accordingly be given to forging political relationships, both directly government to government and by means of multilateral action undertaken through the European Union or the United Nations.

- 3.2.3 Internal developments in Asian countries are also a factor in Ireland's relations with them, especially when questions arise in regard to respect for fundamental rights and freedoms. Ireland is committed to the principles embodied in the Universal Declaration of Human Rights and in other international instruments and has sought in its foreign policy to promote them.

3.3 Key Objectives and Targets

- 3.3.1 Within this policy framework the aim is to:
- ¥ Increase exporting levels to Asia in sectors where Irish companies have competitive advantage.
 - ¥ Ensure that Ireland captures its share of the expansion of Asian FDI into Europe in the longer term in key growth areas - electronics, telecommunications.
 - ¥ Promote partnership arrangements between Irish and Asian SMEs in areas of mutual interest - e.g. technology transfer and joint ventures in high technology and electronics.
 - ¥ Develop a partnership approach to planning at field and headquarters level. This would involve partnership between the public and private sector as well as between the public sector agencies and Departments.

In the short term, the strategic focus will be to ensure that we maximise the support available to Irish exporters currently encountering market access difficulties and loss of market share.

Targets

- 3.3.2 The following are the main targets and objectives of the state agencies represented on the Group.

FDI

¥ Foreign direct investment has been running at about 5% of total investment in Ireland. The target for the area would be to sustain this 5% level over the next five years.

Indigenous Exports

¥ These currently stand at £307m (1997) and Enterprise Ireland's target is to increase them to £550m (2001). This will be a significant market share increase of imports into the Asia market.

Specific targets for the Region are as follows:

- ¥ Increase exports by 12% pa 1998 to 2001;
- ¥ Double company representation in the region (27 to 50);
- ¥ Organise 15 visits by Journalists to Ireland;
- ¥ Organise 50 visits by Buyers to Ireland;
- ¥ Establish 30 JV/TT agreements in the region;
- ¥ Organise 20 General/Sectoral trade missions to the region; and
- ¥ Organise group participation in 12 International Trade Fairs.

Food/Fish Exports

¥ The targets in this sector concentrate on Japan and China. The aims are to recover market share in Japan and increase exports to IRE70m pa within the next 5 years. In China, a significantly more difficult market, it is aimed to hold current export levels against local competition. Fish exports are growing in the region and an increase of 5% pa can be expected over the next 5 years.

Tourism

¥ Ireland will seek to increase its share of the European market for visitors from the region over the next 5 years.

3.4 Overview of the main issues: the way forward

- 3.4.1 In order to support the attainment of these objectives, the Asia Strategy Group recommends that particular attention be paid to:
- ¥ Raising awareness of Ireland in Asia (see section 3.5 below).
 - ¥ Developing a selective approach to markets and sectors (see Chapter 4).
 - ¥ Establishing a unified policy approach to tackle obstacles to success.

3.5 Raising awareness of Ireland in Asia

- 3.5.1 The Asia Strategy Group recognises that a key challenge for Irish companies and state agencies, be they selling industrial products, services or food, or attracting FDI or tourists, is that Ireland starts from a significant disadvantage in comparison with many of our competitors - especially the UK. Despite being active for over a quarter century in Asia, Ireland still remains virtually unknown to the vast majority of people there. This lack of awareness is also true of key actors in the economic and business sectors in Asia. The general lack of awareness of Ireland is a particular challenge for tourism as Ireland itself is the product which is purchased. The presence of Riverdance in Japan in 1999 and possibly for 6 months in the year 2000 should provide an opportunity to raise Ireland's image.
- 3.5.2 The Group noted that many Asians who know anything at all about Ireland tend to have a confused impression, assuming that we are part of the UK or even that we are Iceland. While no baseline studies of awareness have been undertaken for the region, there is a strong suggestion that people are unaware even that we are a member of the EU. In addition, given our northerly location, many assume that Ireland is cold and covered for the winter months in snow. Even small countries such as the Netherlands, are much better known than we are as a result of their closer historical ties with the region and concerted, long-term, well resourced efforts at image and relationship building.
- 3.5.3 This awareness problem arises because historically Ireland has had little political or economic contact with Asian countries. This historical legacy leaves Ireland in a very unfamiliar position: without either friendly networks or a positive image. It means that we face unique challenges in building relationships in Asia to promote understanding about our competitive strengths as either a supplier of goods and services or as a location for Asian investment in Europe. This disadvantage of having neither supportive networks nor a positive image is compounded by the fact that, culturally, Asians place a high value on long-term relationships and a demonstrated long-term commitment to making the relationship mutually beneficial.
- 3.5.4 The recent growth in trade has little, if any, impact on tackling the traditionally weak bilateral political and economic ties. The overall trade figures are quite modest and the export figures disguise the fact that approximately 90% of these originate from multinationals in Ireland who are selling on the strength of their brand names, with their country of origin forming no part of that brand value. In other words 'Made in Ireland' adds nothing to brand value in these markets. Therefore, whilst our exports to markets such as Japan are predominately in the hi-tech sectors of pharmaceuticals and computers, there is in reality very little recognition of the manufacturing base. This affects foreign earning opportunities across the board. IDA marketing of Ireland as an investment location in Japan encounters an overall lack of appreciation of Ireland as a centre for high tech manufacturing or services, while indigenous exporters equally encounter poor understanding at procurement manager/distributor level. These are complex competitive disadvantages which our European competitors - Germany, Switzerland, the Netherlands, the UK - do not face.
- 3.5.5 If our objectives were only to try to sell commodity products on the basis of price this would not be such an issue. However, if we as a country seek to expand sources of economic opportunity in Asian markets and to move up the value chain in terms of both products and services, the issues of image and perception become more critical. These problems indicate that a more integrated approach to marketing Ireland in Asia than has been the case to date is critical and that state resources in the market need to be deployed in new ways to address this unfamiliar problem.

Chapter IV

Developing a Selective approach to Key Markets and the Key Sectors

4.1 Overview

- 4.1.1 The Asia Strategy Group agreed that the key to a successful foreign earnings strategy is a selective approach which focuses resources on **priority markets** and **priority sectors** where Irish industry and Ireland have a competitive advantage.

Since no such overall strategic framework exists for Asia at present, the Group made an initial analysis in order to identify opportunity markets in Asia as well as competitive advantages which we have to offer in selected markets there. This analysis considered opportunities for merchandise exports - both multinational and indigenous services and both inward and outward investment. The framework for the analysis is attached at Annex 3. The analysis was also informed by returns from Enterprise Ireland's Annual Business Survey which asks exporting companies to provide returns on their exports and prospects for future years.

The analysis also identified critical success factors and priority policy actions which need to be taken and these are considered in Chapter V.

4.2 Conclusions of the Analysis: Priority Markets

- 4.2.2 Japan emerged as the priority developed market in the region from a foreign earnings viewpoint and will dominate Irish foreign earnings interests in the region over the next five years.
- 4.2.3 China (i.e. People's Republic of China, Hong Kong and Taiwan), is the second area of major opportunity for the widest array of foreign earnings interests. It combines opportunities for traditional exports - food & fish - with Ireland's newer exports - software, telecommunications technology and educational services. The industry view is that China offers by far the biggest business potential in terms of size and unfulfilled potential for firms trying to expand into the East Asia region. China is currently the only market where indigenous exports exceed multinational exports. In terms of FDI, Taiwan is a key opportunity market.
- 4.2.4 The balance of other Irish foreign earnings interest is concentrated in South Korea, Malaysia and Singapore. The developing economies of Asia, including India and Korea, offer opportunities for the multi-sector aviation industry which combines engineering, electronics and consultancy services. Ireland's safety record and presence in world markets for maintenance repair and overhaul is the envy of many countries.

4.3 The Priority Sectors

- 4.3.1 Asia offers particular scope for expansion of services exports from Ireland. The fact that we are an English-speaking European economy offers us competitive advantages in those markets where the English language is the second language of choice. Moreover, many Irish companies can offer quality services to their Asian counterparts in industries where the English language dominates - e.g. aviation, consultancy, training, information technology, and education services.
- 4.3.2 The Asia Strategy Group identified the key services sectors as being education and consultancy services, telecommunications and information technology. As regards merchandise exports, pharmaceuticals and computers, along with food and drink, are the key opportunity sectors in Japan. As regards tourism, any increased effort in the short term must be focused on the Japanese market which accounts for the vast bulk of Asian tourism to Europe. It is recognised that Asia provides a long-term tourism potential, but one which is relatively costly to enter vis-à-vis other geographic areas.

Convergence of Foreign Earnings Interests

4.3.3 The analysis also demonstrates a strong convergence of foreign earnings interests in several markets. Japan is a case in point. In the food and fish sectors which are without local representation, links with other Irish offices with an involvement in the market are very important. Table 9 summarises all the findings schematically:

<i>Key Opportunity Markets/Sectors</i>	
Sector	Key Potential Markets
A. Services	
Education services:	China, Japan, South Korea, Malaysia
Software:	Japan, Malaysia, Taiwan, China, S. Korea, Singapore & Hong Kong
Aviation Services:	India, Pakistan, Malaysia, China, Singapore
Tourism:	Japan
Consultancy:	India, Pakistan, China
B. Merchandise Exports	
Telecommunications:	Malaysia, China, Taiwan, Hong Kong
OEM sub-supply:	Japan, Malaysia, Taiwan, Hong Kong, China, South Korea, and Singapore
Food and Drink:	Japan, South Korea, China, Taiwan & Singapore
Chemical/Pharmaceuticals:	Japan, Hong Kong, China, Taiwan
Computers:	Japan, Philippines, South Korea, Singapore, Malaysia, Hong Kong
C. Inward Investment	
Electronics:	Japan, Taiwan, S. Korea, Singapore
Pharmaceutical:	Japan
Automotive Components:	Japan
Software:	Japan
International Services:	Japan, Hong Kong (reactive)
Key Markets Sectoral Opportunities for Asia	

Chapter V

The Critical Issues: Toward a unified policy approach

5.1 Overview of the Critical Issues

The Asia Strategy Group has identified ten key issues which need to be addressed in a co-ordinated way to ensure a successful strategy for Asia:

Trade Policy:	Identify current market access problems and undertake action at EU and WTO level to tackle them.
Role of Government:	Develop political relations with the Governments of the region. Establish a plan for direct government-to-government activities supported by realistic diplomatic representation on the ground.
Marketing Ireland:	Develop a concerted approach to increasing awareness of Ireland with key decision-makers in the region.
Management of State Resources:	Develop a strategic, integrated approach to marketplace presence so that resources are concentrated on priority markets.
Strategy for China:	Specific measures to maximise the success of the Taoiseach's visit to China and to ensure effective market penetration for key sectors.
Funding & Finance:	Recognise the high cost for Irish companies of setting up, or even investigating, Asian markets and the need for security of payment.
Visa Policy:	The industry perspective highlights the urgent need to streamline visa application processing in order to support efforts to market Ireland as a provider of high quality educational services.
Education & Training:	Address the need for Asia specialists in Ireland and the value of graduate exchange programmes.
Partnership:	Irish people living in Asia, Irish companies with market expertise in Asia and Asian friends of Ireland are key resources in this strategy.
EU Programmes:	A coherent approach to be adopted for availing of EU finance for promotional activities in Asia, which would support the objectives of this strategy. A case in point is the Euro-Asia Business Internship Programme (EABIP).

5.2 Trade Policy

- 5.2.1 Trade policy has a particularly important part to play in this strategy given our reliance on open access to markets. Increased policy action at EU and multilateral level, to open Asian markets and to reduce tariff and non-tariff barriers, is critical to long-term success. A regular dialogue with industry on market conditions will be important. In the short term, current market access problems need to be prioritised for action particularly, for example in the agri-food sector.
- 5.2.2 The current economic difficulties will make Irish exports to the region more difficult. However, the major indirect impact of the crisis may be in third countries where Asian exporters aggressively attack markets of more interest to Irish exporters in Europe and the Americas. Ireland needs to be alert to 'dumping' both in the domestic and priority export markets and ensure that the EU is alerted to any such developments.

5.3 Importance of Government-Government Relations

- 5.3.1 The business environment in Asia is distinctive. In the priority markets of China and Japan, and elsewhere in the region, government support for foreign earnings activities is very helpful and will underscore the long-term governmental commitment which is central to this approach.
- 5.3.2 In Asia, where hospitality and prestige indicate power, political visits and diplomatic activity have perhaps even more significance from a foreign earnings perspective than elsewhere. This factor needs to be built into the strategy in a systematic way at headquarters level as well as in the field. For example, visits to these markets and reciprocal programmes of well planned hospitality around core foreign earnings interests will have a key role. Ministerial time for these purposes should be given priority, notwithstanding the fact that the results of the investment of Cabinet time may not be obvious in the medium term.

5.4 Marketing of Ireland

- 5.4.1 The analysis has demonstrated the need to raise awareness of Ireland to key stakeholders in the region and that the future marketing of Ireland will be critical to the success of the strategy. Concerted promotional activities, policy innovation and additional resources will be required if we are to address our significant competitive disadvantage in these key markets.
- 5.4.2 However, having identified this as a significant issue, addressing it is both complex and expensive and, clearly, the prioritisation of how we should best invest our limited resources comes into question. There are a number of reasons for this including:
- (1) The need to recognise that any such program would need to be sustained over an extended period to have any value.
 - (2) That the costs involved would be significant and that a budget for 'image' building currently does not exist.
 - (3) More developed markets such as Japan and Taiwan may well provide better prospects than larger, less well developed markets.
- 5.4.3 In terms of quantification of cost, a study aimed at increasing awareness in Japan, Taiwan and Hong Kong in 1996 indicated that around £2m per annum would be necessary. It was also believed that any such program would need to be sustained over at least a 5-year period. The Group noted that the first steps would be to undertake a baseline study of awareness. Whilst there is unlikely to be any short term return from this type of 'image' building, any serious attempt at developing the Asian Market Place would need to give serious consideration to having a parallel development of awareness and image of Ireland. In addition, the State's foreign earnings promotional efforts in Asia need to systematically exploit the full potential of information technology for the promotion of economic objectives.

5.5 Policy Co-ordination

- 5.5.1 The Asia Strategy Group agreed that the size and diversity of the Asia region places special challenges in terms of defining an overall integrated approach. From a trade perspective, the scale of the challenges facing indigenous exporters suggests that the traditional approach to deployment of state resources in the region and the management of those resources needs to be reviewed. These challenges will require an innovative policy approach focusing on partnership between state interests themselves and also between government and the private sector. There is a need to ensure that, in the implementation of plans to maximise trade relations with Asia, the participation and contribution of the private sector is maximised.
- 5.5.2 The Asia Strategy Group recognised that policy co-ordination at Headquarters level had a vital role to play in the success of the strategy. Consideration should be given to developing further the role of the Foreign Earnings Committee (FEC) in terms of the co-ordination of the activities of all Departments/Agencies representing Ireland in Asia. This would allow for the closer integration of policy, resources and market development activities. A common partnership framework would allow for the development of a total economic approach in the region and ensure that goals which are common to political, trade, enterprise and FDI objectives are identified and jointly addressed in a systematic way. For example, this report has highlighted

the common difficulty faced in regards awareness of Ireland and suggests that a critical step will be coherent media and awareness strategy over time.

- 5.5.3 The Asia Strategy Group considered that a link from HQ co-ordination to the field level was vital to the long term success of a foreign earnings development strategy. Operationally, this could mean that foreign earnings development plans for each of the main Asian markets would be jointly prepared at field level on an annual basis. The aim of such plans would be to recognise the inputs from the other interests (Government, private sector, agencies) and to maximise those inputs in support of common horizontal goals or constraints. Such plans could be submitted to a body such as the Foreign Earnings Committee where a national overview could be added.
- 5.5.4 A new definition of the role of the FEC in Asia could be a significant step towards the co-ordination of Ireland's activities in the region. It would allow for the oversight of the respective Departments' Agencies' plans for the Region as well as ensuring the maximum level of integration here in Ireland. The benefits of this would help to further enhance and focus the good informal co-operation which exists in the market place.
- 5.5.5 The completion of a database of key decision makers in the region, made available through the use of current technology, would be an invaluable support for both business and government interests. The Virtual Ireland House project can also be usefully extended to the Asian region and can be important for low level introductions to the region. The Internet in China has developed at a phenomenal pace and subscription is particularly strong in industrial and higher education sectors. A centralised Irish website with strong Irish brand identification could be a useful focus for Irish industries which are proactive in terms of their investment there.

5.6 Investing Resources

- 5.6.1 A successful Irish foreign earnings development strategy for Asia will require adequate resources as well as careful planning. While the Group noted that the issue of resources was not germane to IDA activities in the region, the analysis of diplomatic and commercial resources highlights that the governments of our competitors in the region devote considerably greater resources than Ireland does to market place presence. While an integrated planning approach will maximise efficiency in the use of State resources, it will not address the inadequacies in the current level and deployment of resources in the region. The industry view also recognises that competitor governments offer state support for market development and incentivise globalisation of exports by providing funding for investment in difficult markets. From a trade and economic perspective, increased activity in Asian countries will have to be supported by a diplomatic presence and commercial presence at a more realistic level.
- 5.6.2 The Group agreed that the State's resources in Japan and China should be increased and these countries should be the main platform for foreign earnings activities throughout the East Asia region. A key component of planning for market growth will be a pragmatic and flexible approach to staff deployment.

5.7 The Strategy for China

- 5.7.1 In the case of China, the analysis highlighted that it is a particularly difficult market for SMEs and that effective market penetration can only be achieved with significant levels of government support and with a long term strategic approach. Key considerations for China are:
- (1) Upgrade the diplomatic and commercial presence in Beijing and Shanghai. Establishing a properly resourced Ireland House at Beijing would send a strong signal of practical government commitment to build on the success of the Taoiseach's visit to China. A Consulate General of Ireland in Shanghai, with an Enterprise Ireland presence, will be a critical resource since this city will be hugely important, economically and politically, as China modernises further.

- (2) At HQ level, develop strategies to support the key sectors which are Education, Services, Information Technology, Telecommunication and Food. Establish a China users group. A crucial need in the education sector relates to the issue of visas required to assist industry to develop market share.
- (3) Build economic and political alliances with strategic growth centres in the provinces - e.g. Sichuan for Information and Electronics, South and West China for Agriculture.
- (4) Raise awareness about Ireland with key stakeholders.
- (5) Revise the Joint Commission framework to develop links with Chinese IT Industry and Education ministry.
- (6) The IT sector may offer particular long-term foreign earnings interest for the globally based Irish software industry. Placement of highly skilled Chinese IT personnel with Irish IT companies would assist in building networks into the Chinese marketplace, assist in localisation of software and build up capacity in-house translation. Such a measure could be supported by an IT users group for China. In the telecommunications sector, initiatives such as conclusion of an international arrangement on GSM cross billing have an important role to play.
- (7) Reciprocity and well planned hospitality will be important over the lifetime of the plan e.g. invitations to key Chinese education and IT officials to visit Dublin. The programme for the forthcoming trade and investment delegation from China has an important part to play in launching our Government strategy there.

5.8 Funding and Finance

- 5.8.1 The costs of investigating and developing markets in Asia are considerable, particularly for the small indigenous exporter. This is a major impediment to trade development and the industry view strongly urged that the full range of State supports should be applied as part of Ireland's strategy. Specifically, financial support to undertake or purchase market research, to visit the market in order to identify distribution channels and to decide on market entry and development strategies, as well as participation in relevant trade fairs and exhibitions, is regarded by industry as necessary. The Industry representatives urged that charges for the provision of marketplace services provided by the Irish agencies should not be applied so as to encourage export diversification.
- 5.8.2 As an alternative to slowly building up market share by setting up new distribution arrangements, many European companies are looking at acquiring local distribution and manufacturing facilities which can be acquired relatively advantageously because of the depressed market conditions and low currency values. Companies should be encouraged to undertake visits to the market for acquisition reasons, with financial assistance provided in support.

Differing Views on Export Credit Insurance

- 5.8.3 The Asia Strategy Group acknowledged that there was not consensus in the group on the issue of export credit cover. The paragraphs beneath set out the respective views of industry and Government.
- 5.8.4 Export credit insurance for short-term commercial risk is available through the commercial insurance sector. Underlying the commercial risk, however, there is a need for sovereign risk cover because of the volatility of the markets and the critical situation of the banking systems. Medium to long-term political risk cover is no longer available to Irish exporters through the State scheme. State schemes providing this cover do exist for UK and European exporters. The UK, for example, is introducing cover for Indonesia which will, through the ECGD, reinsure risks underwritten by the commercial sector for UK exporters of goods and services. This effectively puts Indonesia back on cover for UK exporters.
- 5.8.5 This cover, or any equivalent, is not available to Irish exporters. The industry view in the Group noted that Irish companies turn down business rather than take risks which they are not in a position to countenance.

- 5.8.6 State export credit insurance facilities would be available in other EU/OECD Member States in respect of priority markets in Asia identified in this report and each insurer would apply its own particular conditions. The UK, for example, does not provide any cover in respect of short-term business. A review of the State Scheme carried out in 1997 showed that insurance for short-term commercial risk was readily available in the commercial sector and that there was a developing market for short-term political risk cover.
- 5.8.7 From the perspective of the Department of Enterprise, Trade and Employment, the decision that the State withdraw from the provision of export credit insurance was taken following a review which showed that:
- ¥ the fact that such a small proportion of our total exports was covered - less than 0.05% of exports in 1996 - meant that a reasonable spread of risk - an inherent part of any insurer's portfolio - was not available to the State.
 - ¥ even for those markets where cover had been given, most of our sales were not covered by the State Scheme, suggesting that such cover was not essential for the securing of such exports.
 - ¥ most of the exports of our client companies were not covered under the State Scheme, even in the case of medium term business.

The conclusion reached by Government was that the exposure levels which the Scheme imposed on the State were disproportionate to any benefit they might give to exporters. While reference is made to medium and long term cover, it would seem that most exports from this country to Asia would be likely to fall within the short-term commercial risk category, for which, as indicated, cover is available from the private sector, while the market for political risk cover continues to develop.

- 5.8.8 It is considered by the Department of Enterprise, Trade and Employment that the absence of a State Scheme in this country is unlikely to be a significant inhibiting factor for the development of Irish exports in the Asian region.

5.9 Visa Policy

- 5.9.1 The Asia Strategy Group agreed that visa policy has a critical role to play in supporting the development of educational services for overseas students in Ireland. In addition, given the importance identified by the Group in enhancing people-to-people contacts in order to support political and commercial objectives in Asia, it is recognised that a responsive immigration policy has a very important role to play in building up close political and commercial friendships throughout the Asia region.
- 5.9.2 The Asia Strategy Group noted the ongoing work of various Government departments and agencies on the visa issue, including the working group consisting of Foreign Affairs, Justice, Immigration, IBEC, ACELS, RELSA and MEI. The Asia Strategy Group recognise the growing market for international education services in Asia. It is noted that educational services is a multi-billion pound industry and government support for marketing of these services in Asia is strong amongst English-speaking competitors - e.g. Australia, New Zealand, Canada and the UK.

5.10 Education and Training

- 5.10.1 The Group noted that there is a need to increase awareness of Asia in Ireland and availability of Asian specialists and Asian linguists to Irish industry. This insight and expertise has an important part to play in assuring foreign earnings growth in the region in the long term. There is a need for a central point in the Irish academic system for the study of Asian affairs, e.g. research, teaching and language training - where gaps in service delivery by the universities and private sector in relation to important Asian languages may exist at present.
- 5.10.2 The establishment of an Institute of Asian affairs might be examined, including investigation of the scope for EU support. Any proposal emerging from this will be put out to tender amongst the Third Level system utilising Enterprise Ireland's well proven system which operated with

regard to the Institute of Technology Management competition. The success of the FcS graduate placement is recognised as having been invaluable in Japan, Taiwan and Korea in building a positive economic profile for Ireland with key decision takers. Similar secondment and student and/or graduate exchange programme, in association with the establishment of an Irish based center for Asian studies, would help to increase awareness and skills both here and in the marketplace.

5.11 Partnership with Local Irish Networks and existing Irish Businesses

- 5.11.1 Irish people living in the region and Irish companies with developed market presence have a key a role to play in this process. They have market insight, expertise, networks of contacts and these can be the key resources to be used in support of foreign earnings growth in the region. In addition there are a number of business associations including here in Dublin which will have an important contribution to make to the success of the strategy. In certain sectors business-led services might be developed in particular where a sector or group of companies might wish to undertake a project in the region which would not require permanent resources.

5.12 EU Programmes

- 5.12.1 It is important for a coherent approach to be adopted for availing of EU finance for promotional activities in Asia which would support the objectives of this strategy. A case in point is the Europe-Asia Business Internship Programme (EABIP). The EABIP has been launched by the European Commission Directorate General I to give the opportunity for young European and Asian students to do traineeships in Asia and Europe respectively and thus further improve the relations between Europe and Asia.
- 5.12.2 Enterprise Ireland have decided to take the lead in the placement of Chinese students in Irish companies for short-term internships. These internships are designed to give the student hands on work experience, provide contacts between students and companies of the different regions and promote mutual understanding of the economic and cultural environment of the partners.

The programme specifically aims to reach young and receptive students and to stimulate their interest in Asia and Europe as their careers evolve. The Enterprise Ireland pilot project will involve China and it is planned to place a total of 8 students in Ireland in 1999.

Chapter VI

Recommendations and Next Steps

In the light of its analysis, the Asia Strategy Group makes the following recommendations to the Government regarding the development of national foreign earnings interests in Asia.

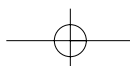
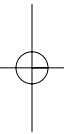
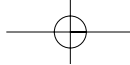
6.1 Recommendations:

- (1) That the Government establish a long-term strategic policy framework to develop Foreign Earnings in Asia.
- (2) That Japan and China be the major focus for Foreign Earnings development activities in the period 1999-2004.
- (3) That an Implementation Group be established in Dublin, comprising both public and private sector interests, to oversee the Government's Asia strategy and to report to Government on progress made. Such a group could be established within the framework of the Foreign Earnings Committee.
- (4) That additional resources be made available to implement the Asia strategy. The chief objective would be to build up marketplace presence in the political and commercial area and to fund target marketing of Ireland to key decision makers.

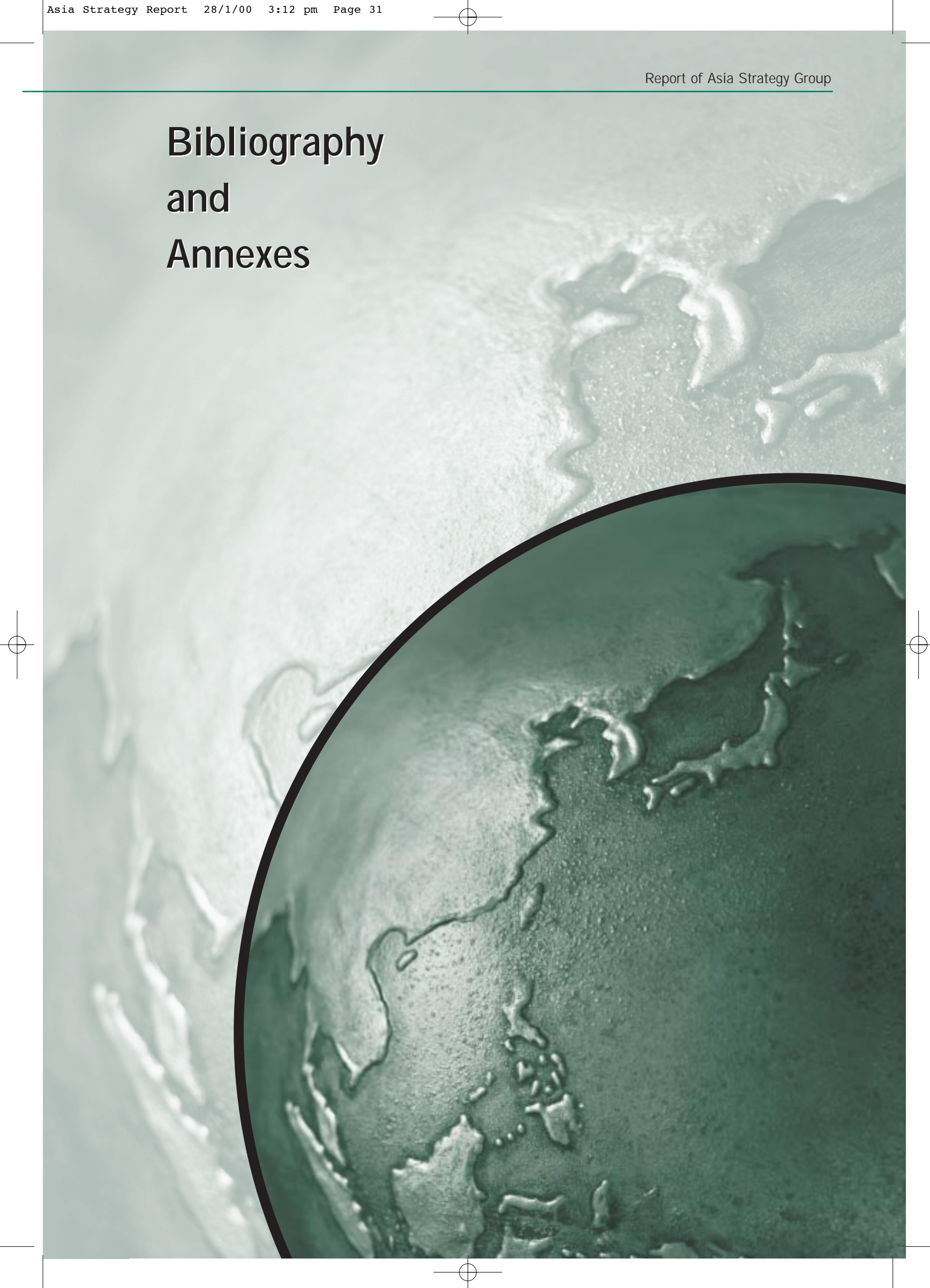
6.2 Priority Actions

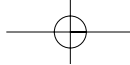
In developing its detailed plans, the Asia Strategy Group recommends that the Implementation Group pay particular attention to the following priority actions:

<i>Priority Actions</i>		
Priority Action	Date	Responsibility
Draw up a programme for Ministerial visits to Japan and China and for reciprocal invitations to Ireland in the period 1999-2004 as a framework for economic diplomacy in Asia.	Immediate effect	D/E,T&E, DFA and Promotional Agencies
Establish an Ireland House in Beijing with full commercial service offered to exporters and provide for development of contacts into other Chinese provinces.	1999	Government
Establish a Consulate General of Ireland in Shanghai to develop political and commercial contacts in that city including with the IT sector there.	1999	Government
Resource and Implement a promotional campaign to raise awareness of Ireland with key decision makers in Asia.	1999-2004	Implementation Group
Prepare and implement market development plans for key sectors - e.g. educational services, software and-IT in consultation with industry needs.	1999	Enterprise Ireland and Industry groups
Give increased priority to action at EU and multi-lateral level to secure elimination of tariff and non-tariff barriers in sectors of most concern to Irish investors and exporters.	With immediate effect	D/E,T&E, DFA
Request the Irish representatives (embassies and State agencies) in the main Asian markets to prepare annual Foreign Earnings Development plans and to submit them to a body such as the Foreign Earnings Committee for consideration.	1999 and ongoing	Embassies, DFA and Promotional Agencies
Provide additional resources for using the internet to raise awareness about Ireland as a source of high quality goods and services and e-commerce facilities to increase trade levels.	1999 and ongoing	Implementation group
Develop a graduate placement arrangement for China. Continue the FAS overseas graduate placement service in Japan / Taiwan / Korea and expand it to China, as part of a long-term policy to develop contacts in the region among key decision takers.	Immediate	Implementation group

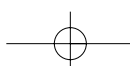
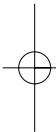
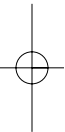


Bibliography and Annexes





Department of Enterprise, Trade and Employment



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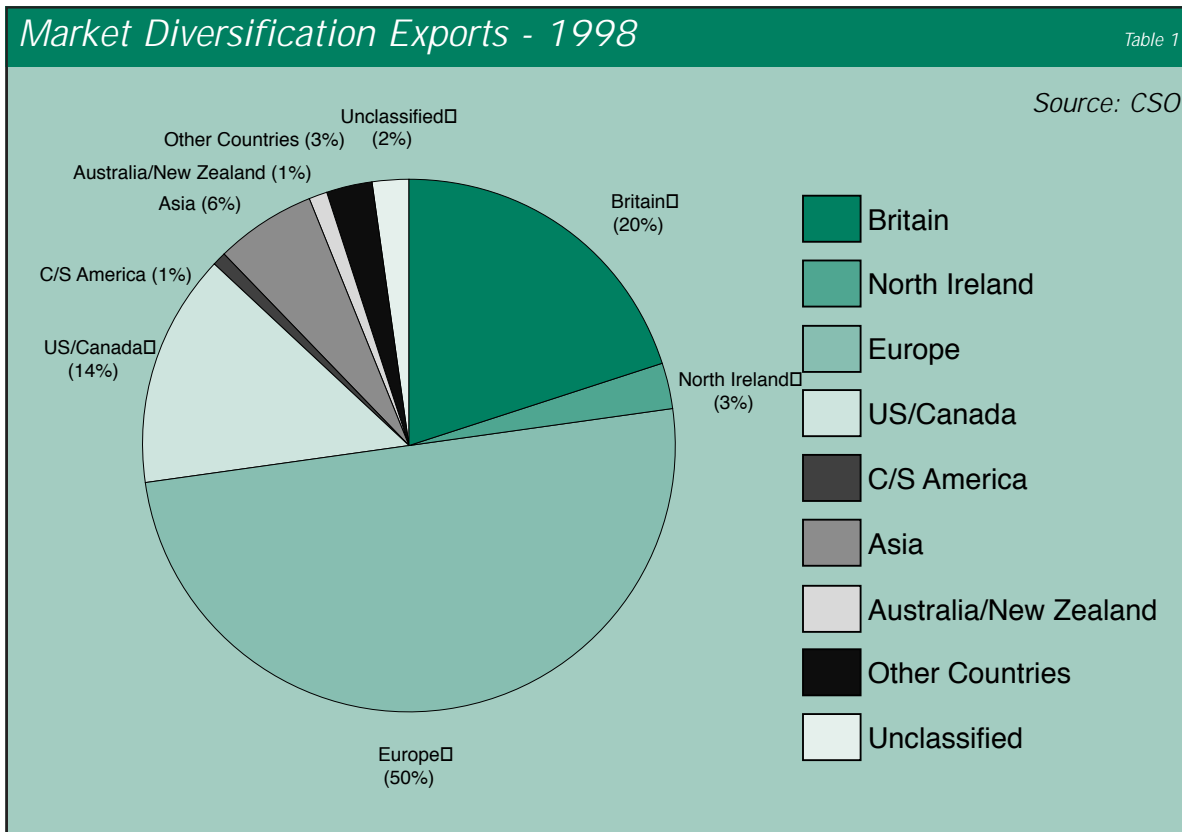
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Annex 1

Market Diversification in Asia* - Total Exports and Indigenous Non-Food Exports

Priority Action	Exports 1997 E.(000)						Exports 1996 E.(000)					
	CSO Total	Indigenous Total	Indigenous Services	Indigenous Manufacturing	Food & Drink (Incl. fish)	CSO Total	Indigenous Total	Indigenous Services	Indigenous Manufacturing	Food & Drink (Incl. fish)		
Japan	1,124,071	74,845	11,875	62,970	55,118	860,250	60,631	5,028	55,603	70,954		
Malaysia	313,565	52,243	38,545	13,698	28,800	349,918	32,216	19,779	12,437	28,644		
Taiwan	108,883	33,860	8,031	25,829	19,692	96,236	26,431	3,319	23,112	25,228		
Hong Kong	194,660	32,168	7,355	24,813	36,921	141,137	29,419	3,201	26,218	30,437		
China	33,509	24,302	3,542	20,760	2,758	31,687	20,378	327	20,051	1,377		
South Korea	500,237	19,859	4,733	15,126	10,724	207,241	21,353	3,853	17,500	11,432		
Singapore	216,941	14,056	2,957	11,099	10,399	177,650	10,939	2,391	8,548	8,219		
Indonesia	26,859	10,557	1,318	9,239	14,102	16,095	13,187	5,566	7,621	8,359		
India	33,490	10,340	871	9,469	120	24,501	9,641	2,018	7,623	87		
Philippines	160,402	10,148	932	9,216	19,073	144,680	12,176	1,096	11,080	6,949		
Thailand	79,690	10,021	2,229	7,792	36,609	68,589	12,062	5,277	6,785	35,611		
Pakistan	17,952	9,624	6,933	2,691	10,113	16,796	5,348	2,261	3,087	7,748		
Vietnam	5,872	1,425	771	654	3,866	4,639	2,417	2,040	377	2,856		
Brunei	793	1,211	824	387	325	455	933	559	374	202		
Bangladesh	3,259	644	-	644	335	4,117	160	-	160	1,789		
Sri Lanka	5,427	617	179	438	1,341	6,411	666	236	430	2,816		
North Korea	21,944	453	-	453	188	6,500	574	48	526	731		
Mongolia	1	376	376	-	-	-	321	321	-	-		
Afghanistan	427	184	-	184	69	600	324	-	324	362		
Nepal	1,303	182	-	182	124	1,481	173	5	168	851		
Papua New Guinea	927	150	120	30	763	1,285	293	292	1	1,114		
Kampuchea (Cambodia)	190	93	93	-	54	226	442	442	-	134		
Macao	823	47	15	32	1	276	77	-	77	-		
Maldives	112	-	-	-	40	167	-	-	-	97		
Bhutan	-	-	-	-	-	4	-	-	-	-		
Burma	717	14	-	14	-	1,109	35	21	14	-		
Total :	2,852,054	307,419	91,699	215,720	251,535	2,162,050	260,196	58,080	202,116	245,997		

Note: Indigenous excludes food
Source: Enterprise Ireland
*Excludes CIS and Middle East



Market Diversification in Asia* - Exports

Market	Exports 1998 £ (000)
Japan	1,175,763
Singapore	296,754
South Korea	285,652
Malaysia	255,382
Hong Kong	232,937
Philippines	226,148
Taiwan	116,367
North Korea	76,734
Thailand	65,127
China	59,358
India	38,090
Pakistan	23,168
Sri Lanka	10,229
Indonesia	10,226
Vietnam	7,079
Bangladesh	2,136
Brunei	1,784
Papua New Guinea	1,365
Laos	819
Macao	687
Afghanistan	671
Nepal	409
Maldives	110
Kampuchea (Cambodia)	86
Mongolia	47
Bhutan	0
Burma	294
Total:	2,887,422

Source: CSO
* Excludes CIS and Middle East

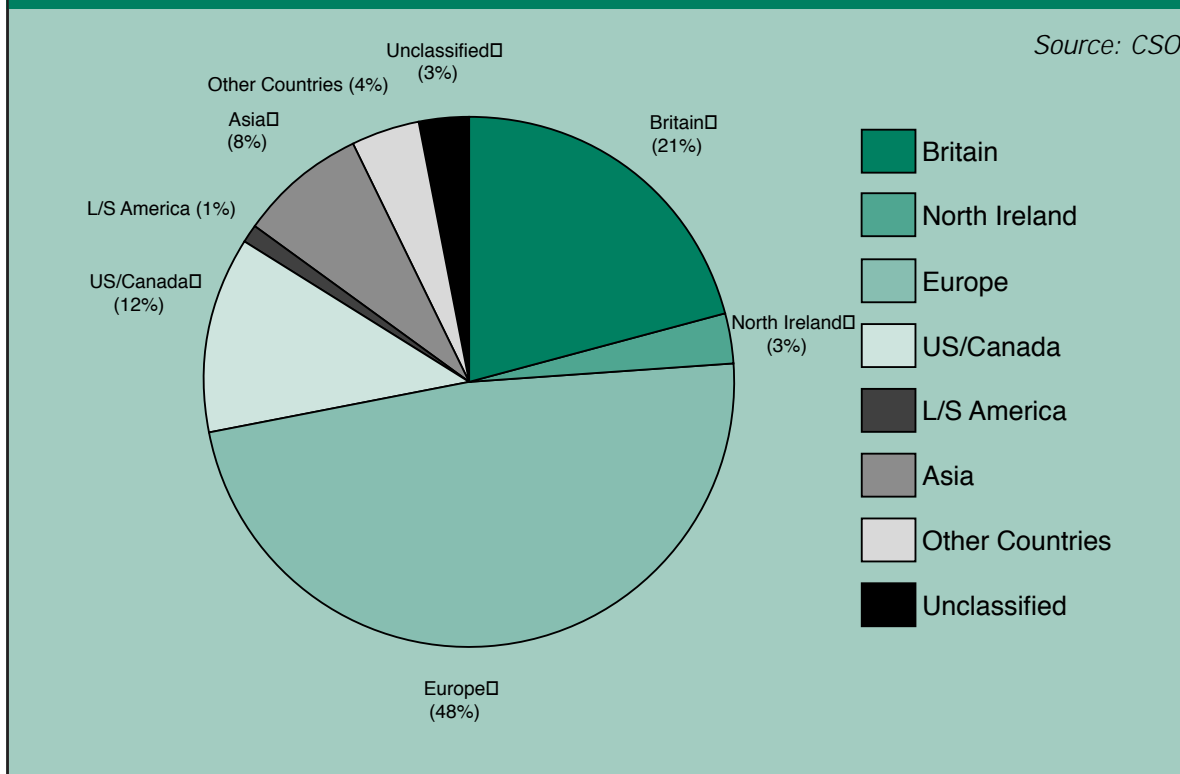
Market Diversification Exports - 1998

Region	Exports 1998 £ (000) CSO - Total
Britain	8,764
North Ireland	1,182
Europe	22,577
USA/Canada	6,387
C/S America	467
Asia	2,887
Australia / New Zealand	393
Other Countries	1,325
Unclassified	795
Total	44,777

Note: Asia includes south, south east, east and central Asian countries.
Other Countries include Africa, Middle East, Australia, New Zealand and CIS

Market Diversification Exports - 1997

Table 2



Market Deversification in Asia* - Exports

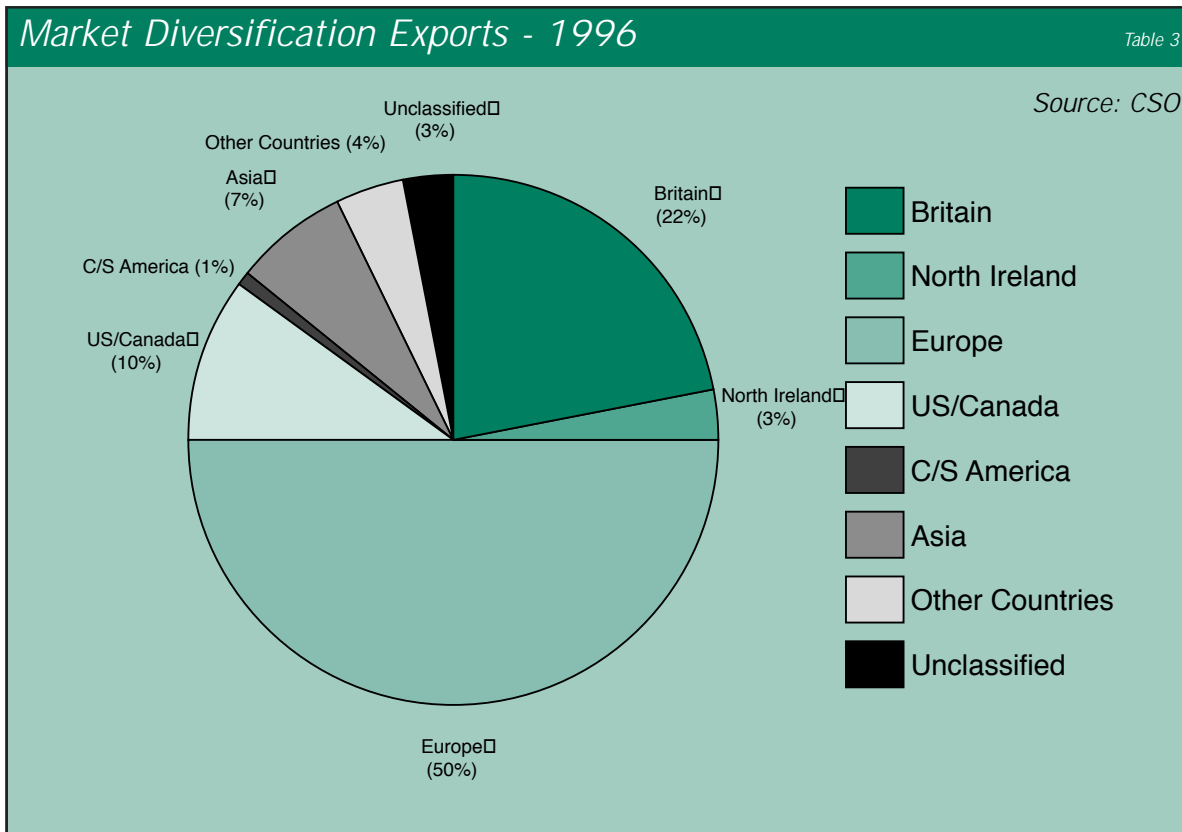
Market	Exports 1997 £ (000)
Japan	1,124,071
South Korea	500,237
Malaysia	313,565
Singapore	216,941
Hong Kong	194,660
Philippines	160,402
Taiwan	108,883
Thailand	79,690
China	33,509
India	33,490
Indonesia	26,859
North Korea	21,944
Pakistan	17,952
Vietnam	5,872
Sri Lanka	5,427
Bangladesh	3,259
Nepal	1,303
Papua New Guinea	927
Macao	823
Brunei	793
Burma	717
Afghanistan	427
Kampuchea (Cambodia)	190
Maldives	112
Mongolia	1
Bhutan	
Total :	2,852,054

Source: CSO
* Excludes CIS and Middle East

Market Diversification Exports - 1997

Region	Exports 1997 £ (000) CSO - Total
Britain	7,487,376
North Ireland	1,022,499
Europe	16,655,700
US / Canada	4,224,446
L / S America	374,626
Asia	2,852,054
Other Countries	1,319,518
Unclassified	1,203,681
Total	35,139,900

Note: Asia includes south, south east, east and central Asian countries.
Other Countries include Africa, Middle East, Australia, New Zealand and CIS



Market Diversification Exports - 1996

Region	Exports 1996 £ (000) CSO - Total
Britain	6,654,321
North Ireland	822,603
Europe	15,265,100
USA / Canada	3,061,523
C / S America	327,617
Asia	2,162,050
Other Countries	1,097,802
Unclassified	1,015,984
Total	30,407,000

Note: Asia includes south, south east, east and central Asian countries. Other Countries include Africa, Middle East, Australia, New Zealand and CIS

Market Diversification in Asia* - Exports

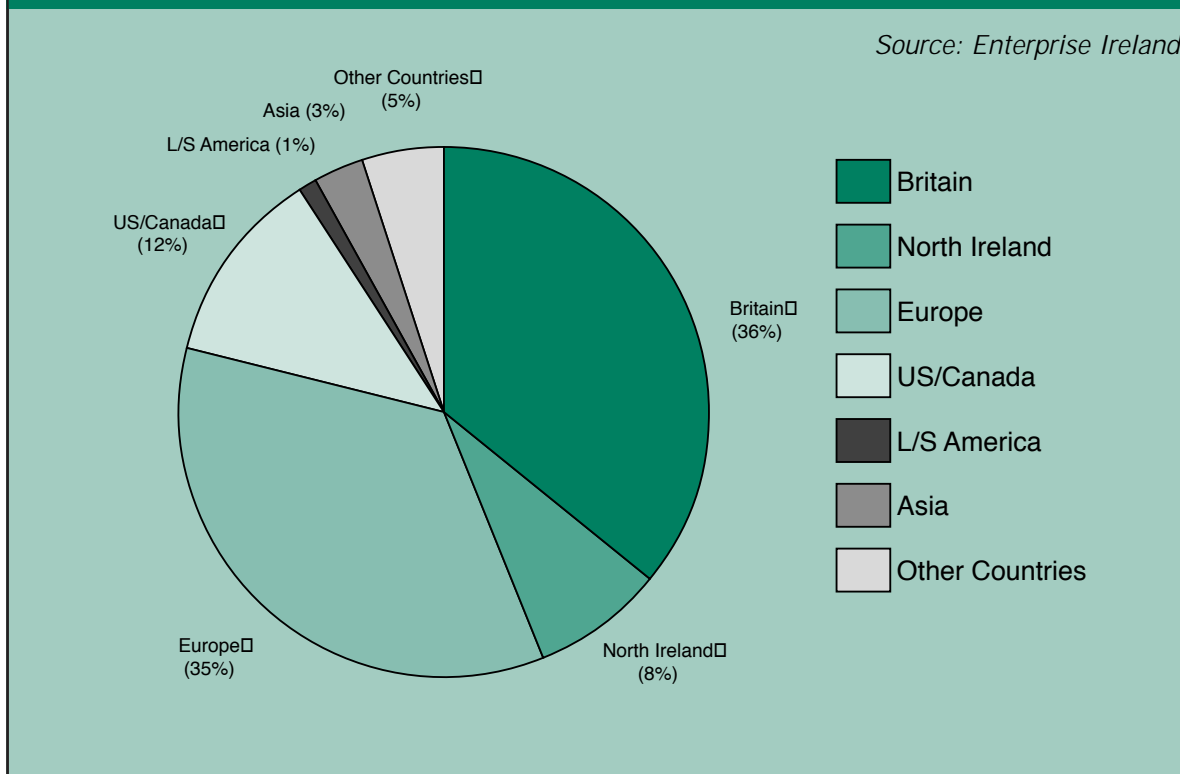
Market	Exports 1996 £ (000)
Japan	860,250
Malaysia	349,918
Taiwan	96,236
Hong Kong	141,137
China	31,687
South Korea	207,241
Singapore	177,650
Indonesia	16,095
India	24,501
Philippines	144,680
Thailand	68,589
Pakistan	16,796
Vietnam	4,639
Brunei	455
Bangladesh	4,117
Sri Lanka	6,411
North Korea	6,500
Mongolia	-
Afghanistan	600
Nepal	1,481
Papua New Guinea	1,285
Kampuchea (Cambodia)	226
Macao	276
Maldives	167
Bhutan	4
Burma	1,109
Total :	2,162,050

Source: CSO
* Excludes CIS and Middle East

Market Diversification Indigenous Manufactured Non-Food Exports 1997

Table 4

Source: Enterprise Ireland

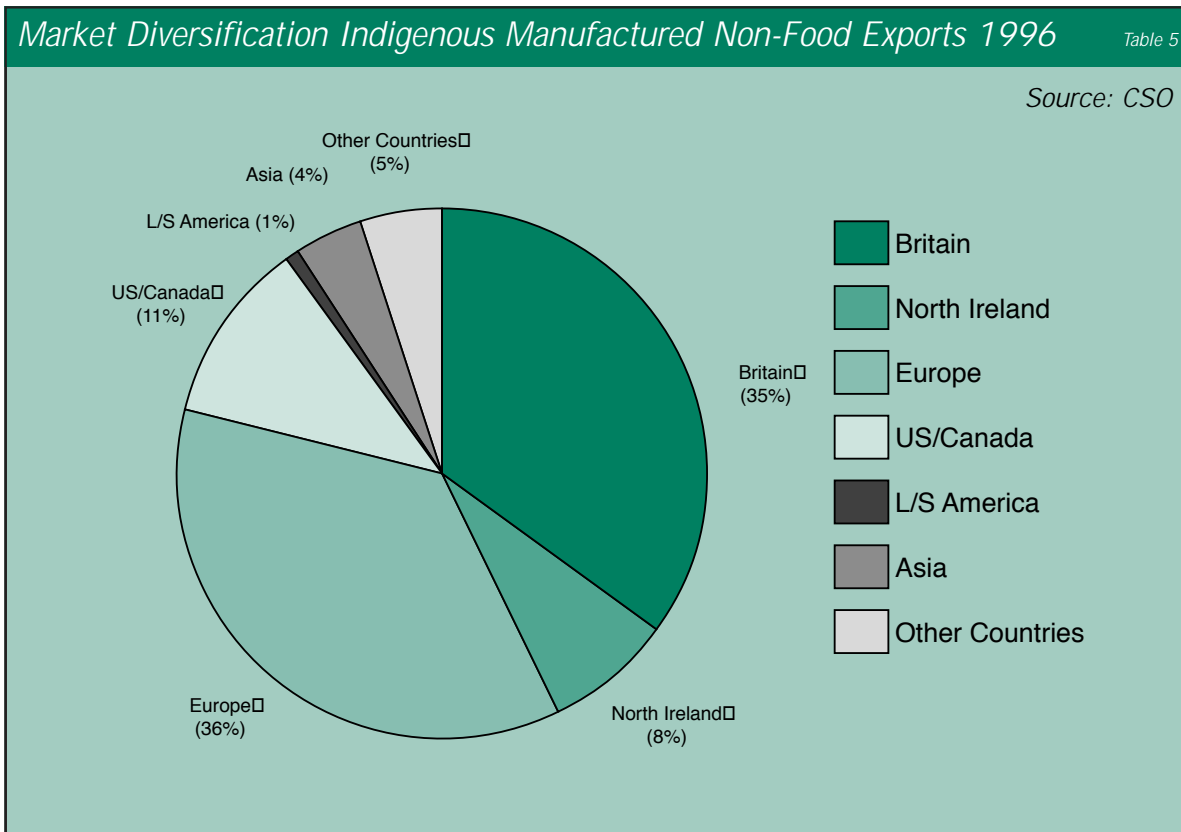


Market Diversification Indigenous Manufactured Non-Food Exports

Region	Exports 1997 £ (000) Indigenous Manufacturing
Britain	2,303,303
North Ireland	533,102
Europe	2,219,763
USA / Canada	764,784
L / S America	83,893
Asia	215,720
Other Countries	290,151
Total	6,410,716

Note: Asia includes south, south east, east and central Asian countries.
Other Countries include Africa, Middle East, Australia, New Zealand and CIS

Enterprise Ireland's indigenous exports are based on all companies who are Irish owned or who have marketing control in Ireland. They do not include food or tourism, commodity goods or inter firm transfers and only some education exports and reflect only those service industries who have returned the data to Enterprise Ireland and who are included within their legal responsibility.



Market Diversification Indigenous Manufactured Non-Food Exports

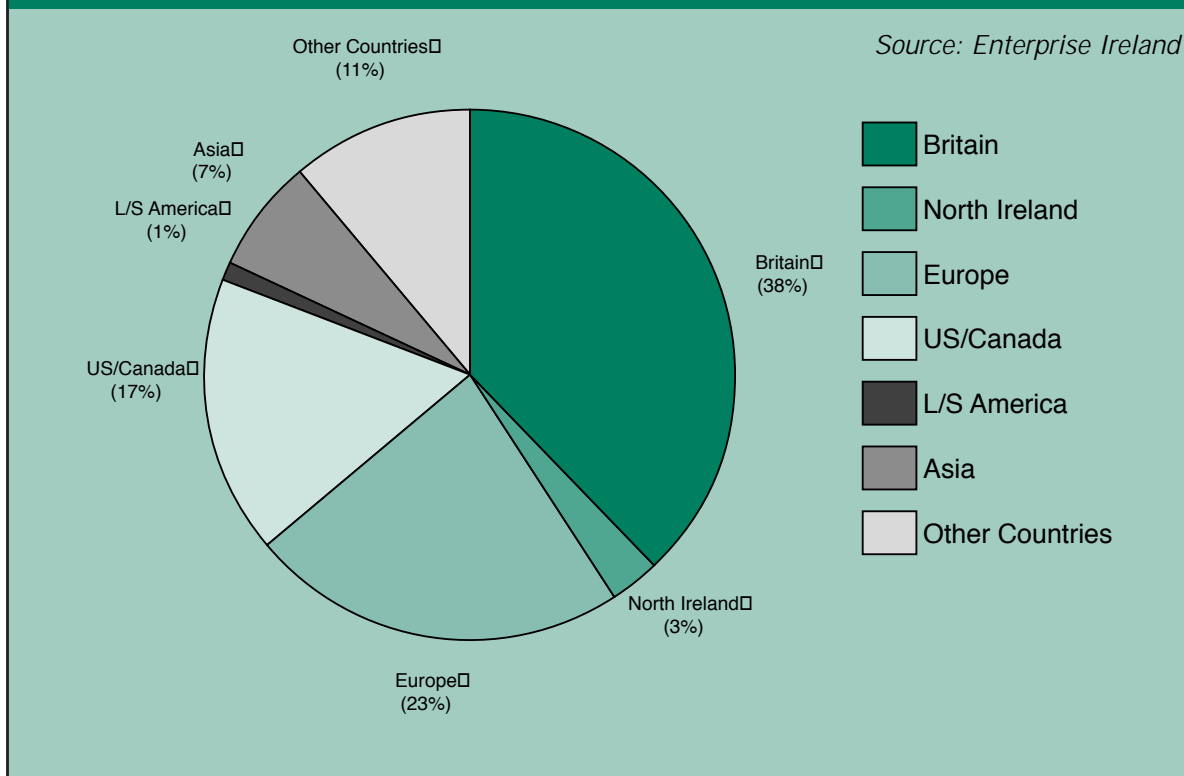
Region	Exports 1996 £ (000) Indigenous Manufacturing
Britain	1,990,930
North Ireland	472,764
Europe	2,023,293
USA / Canada	612,241
L / S America	77,873
Asia	202,116
Other Countries	257,223
Total	5,636,440

Note: Asia includes south, south east, east and central Asian countries. Other Countries include Africa, Middle East, Australia, New Zealand and CIS

Enterprise Ireland's indigenous exports are based on all companies who are Irish owned or who have marketing control in Ireland. They do not include food or tourism, commodity goods or inter firm transfers and only some education exports and reflect only those service industries who have returned the data to Enterprise Ireland and who are included within their legal responsibility.

Market Diversification Indigenous Non-Food Services Exports 1997

Table 6

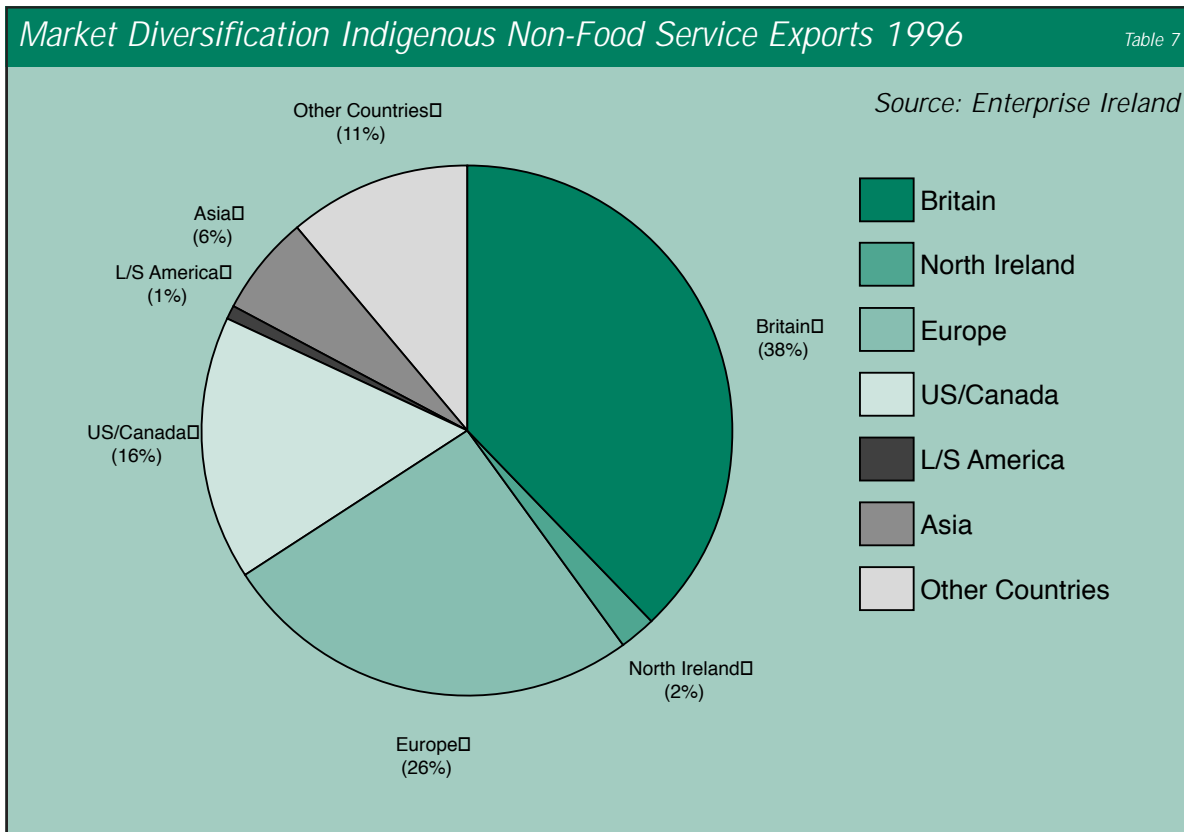


Market Diversification Indigenous Non-Food Services Exports

Region	Exports 1997 £ (000) Indigenous Manufacturing
Britain	523,670
North Ireland	35,668
Europe	305,865
USA / Canada	222,515
L / S America	17,454
Asia	91,699
Other Countries	151,510
Total	1,348,381

Note: Asia includes south, south east, east and central Asian countries.
Other Countries include Africa, Middle East, Australia, New Zealand and CIS

Enterprise Ireland's indigenous exports are based on all companies who are Irish owned or who have marketing control in Ireland. They do not include food or tourism, commodity goods or inter firm transfers and only some education exports and reflect only those service industries who have returned the data to Enterprise Ireland and who are included within their legal responsibility.



Market Diversification Indigenous Manufactured Non-Food Exports

Region	Exports 1996 £ (000)
Britain	389,310
North Ireland	24,397
Europe	272,793
USA / Canada	165,180
L / S America	11,764
Asia	58,080
Other Countries	119,543
Total	1,041,067

Note: Asia includes south, south east, east and central Asian countries. Other Countries include Africa, Middle East, Australia, New Zealand and CIS

Enterprise Ireland's indigenous exports are based on all companies who are Irish owned or who have marketing control in Ireland. They do not include food or tourism, commodity goods or inter firm transfers and only some education exports and reflect only those service industries who have returned the data to Enterprise Ireland and who are included within their legal responsibility.

Annex 2

Annex 2 – Summary of mini survey of selected Irish companies regarding their outward investments in Asia

Company	China			Korea			Malaysia			Japan		Vietnam	
	JV	ACO	SUB	JV	ACO	SUB	JV	ACO	SUB	JV	ACO	SUB	
PPI Adhesive Products Ltd.				1	1								
Prince OOBurren													
Smurfit	1												
AIB			1										
Dublin Business School							1						
Nicholas OODwyer							1						
IIP				1						1			
Parc Aviation												1	
Kerry Group								1					
Novum	1												
Sigma Wireless												1	

JV = Joint Venture
 ACO = Acquisition
 SUB = Subsidiary

Annex 3

Non-Paper

Agreed Structure for Asia Strategy Group Report

- *Terms of Reference & Scope of the Report*

- ¥ Mandate arises from Taoiseach's visit to China
- ¥ Taoiseach has asked for coherent long-term market development strategy in **China** and **Asia** - Report to Government end-Nov.
- ¥ EU-Asia relations key element of framework
- ¥ Time horizon 3-5 years, but focus on 'quick fixes' as well as on long-term measures
- ¥ Focus on **trade & investment** issues
- ¥ Highlight comparative potential of Asia-v-Rest of World

- *Ireland's National Economic Interests in Asia*

- ¥ Sustainable high quality employment
- ¥ Diversification of sources of such sustainable employment
- ¥ Diversification of trade - staying close to leading markets and avoiding declining markets (Competitiveness Council Report)
- ¥ Source for promoting domestic wealth generation

- *What do we mean by Asia?*

- ¥ Geographical focus, 3 billion population, 24 countries¹
- ¥ What is our focus in Asia? Which region? Include New Zealand and Australia?

- *Macro-level prospects for the Asian region 3/5 years*

- ¥ IMF forecast requested from Dept. of Finance

- *Current Irish Economic Performance in Asia?*

- 4 areas:
- ¥ Manufacturing Exports
 - ¥ Services Exports
 - ¥ Outward Investment
 - ¥ Inward Investment

¹ *South Asia*: Bangladesh, Bhutan, India, Nepal, Pakistan, Sri Lanka.

South East Asia: Brunei, Philippines, Indonesia, Cambodia, Laos, Malaysia, Myanmar, Singapore, Thailand and Vietnam.

East Asia: South Korea, Hong Kong, Japan, China, Macao, Mongolia, North Korea and Taiwan.

- *Framework for Asia Strategy (see attached matrix)*

- ¥ In order to identify the full range of possible actions which can be undertaken to promote economic interests in Asia, **five** key questions need to be addressed with regard to our trade and investment interest activities in the region. [This framework of questions is set out in the matrix]
- ¥ What should be done by the state to support this activity?
- ¥ What is the current position regarding such support?
- ¥ What priority actions should be undertaken?
- ¥ By whom? With whom?
- ¥ When? Performance Indicators?
(each member of drafting group assigned specific pieces of this matrix)

- *Critical Success Factors*

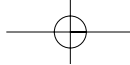
- ¥ Political relations
- ¥ Diplomatic relations
- ¥ Resources
- ¥ Effective co-ordination HQ in markets
- ¥ ?
- ¥ ?

- *Performance Measurement*

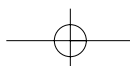
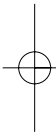
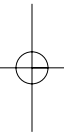
- ¥ Validation of approach is critical
- ¥ Follow-up mechanism
- ¥ Evaluation

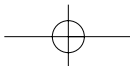
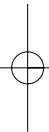
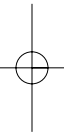
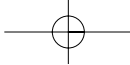
Annex 3 - Framework for Asia Strategy

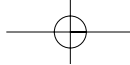
Company	Priority Sectors	Possible State Action	What's Happening Now	Priority Actions	Priority Markets	Responsible Party	Review
Merchandise Exports	SMEOs MNCOs Large Corps., Semi States						
Services	Education Aviation Software MNCOs						
Outward Investment	Manu. Plant Distribution Assets Joint Ventures						
Inward Investment	Manufacturing Service						



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