

Catching Up In China

The Irish trade delegation got a great reception but behind the smiles China will be a tough nut to crack

By Mark Godfrey

China thinks Bertie Ahern has a prosperous face. To the Chinese the Irish leader is akin to the fat Buddha, always smiling and portly enough to be prosperous. China has had too many years of famine and food shortage to respect dour, thin men. They like the jovial Irishman and his professed love of Manchester United, China's favourite soccer club. But Bertie Ahern is only one of a long procession of *lao wai* or foreign leaders filing into Beijing's Great Hall of the People every other day of the week. And as the Irish party departed for Shanghai the tricolour was quickly lowered and neatly folded at Tiananmen Square. A few days later the Canadian flag was raised in its place on the dozen flagpoles running in front of the oversized portrait of Mao Zedong. Canada's Prime Minister Paul Martin arrived in the Chinese capital with his own trade delegation to do the lap of hotel banquets, cocktail receptions and guards of honour at the Great Hall of the People that Bertie Ahern had just finished.

The Chinese have a stubborn superiority complex. Nothing of that mentality has changed much since imperial China, when western envoys came to the Forbidden City to trade and curry favour with the emperors. The Mandarin translation for China is afterall 'Middle Kingdom': the emperors saw China as the centre of the world, where everyone else should come to kowtow. It was no surprise then that Bertie Ahern's arrival in Beijing made it to the top of the evening news on China Central Television, displacing other issues of some note in the world, such as the swearing in of a new Palestinian president, explosions in Iraq and a hugely significant ice-breaking visit by Taiwanese parliamentarians to Beijing.

Bertie would spend a whole six days in China, the broadcaster noted. Yet Ahern's treatment was little different from that of the visiting heads of tiny Caribbean islands. Heads of state are big news on state TV, even if reporting is completely formulaic, always opening with a government pledge to "strengthen bilateral ties" with whichever country happens to be represented. Visitors always publicly promise not to recognise Taiwan as a separate country and get half an hour to plead the case for contractors back home. Jacques Chirac and George W Bush get several hours. But there's never any discussion of human rights reported.

Ahern came to China seeking to redress a trade deficit of EUR4 billion a year with China. But Beijing records trade deficits with most nations. China has been cunningly self-centred in its trade relations with the outside world since Deng Xiaoping opened the country up to trade and outside investment in 1979. Free economic zones and low taxes for foreign investors paid off. Then Hong Kong was handed back by the UK in 1997, adding some financial services know-how to the mainland's factory floor. By

the time China joined the World Trade Organisation in 2001 the country was one of the largest exporting economies in the world. Investment continues to flow in, with annual GDP growth staying steady the past two years at 9 percent.

Ireland can bask in the glow of an ongoing Chinese love affair with Europe but its biggest problem is that the Chinese don't know enough about it. Ahern told a gathering of Chinese tour operators about the country's fishing and hiking opportunities yet although the Irish government signed an Approved Destination Status tourism agreement with China in May 2004 no package groups of Chinese tourists have yet travelled to Ireland. "Chinese people don't know enough about Ireland," says Du Juan, a manager with China International Travel Service. "They don't know enough about the weather, the food, the culture." France and Italy are currently the most popular destinations in Europe among Chinese tourists, receiving thousands of visitors from China every week.

Irish food products may fare better. Well known beef barons looked cheerful sitting at numbered tables in a ballroom at the Great Wall Sheraton hotel, chatting through translators with Chinese Meat Association officials about pig offal and spare ribs. The Chinese wing of supermarket giant Wall Mart and several invited Chinese food retailers traipsed in to meet Larry Goodman and peers during a half-day seminar and lunch sponsored by Bord Bia. A growing Chinese middle class has gotten a taste for steak, most of which has to be imported as China's agricultural land is in scarce supply. Yet there's the matter of a BSE ban and a notoriously protective Chinese regulatory system to get through. "The paper work is very tricky," conceded David Eiffe, a Bord Bia marketing officer who travelled to Beijing. At another five star hotel meanwhile Irish university heads and Minister Mary Hanafin sat around a large table with their Chinese counterparts. Aside from lean beef China's nouveau riche also prize degrees from western universities. Most go to Australia and New Zealand, which already have ravenous recruitment campaigns *in situ* across China. But more of the 120,000 Chinese students headed abroad each year could be tempted to Dublin and Galway. But Ireland will have to do a better job of promoting itself in China if it's to compete with the likes of New Zealand, which has turned its education sector into a massive cash industry focused on China.

If the palpable excitement of the Irish industrialists and professors visiting Beijing translates into contracts and joint ventures there's still a sticky pool of red tape, obfuscation and sometimes brass-necked cheating to surmount. China's self-appointed Communist Party leadership may have ditched high-collar grey Mao suits for somber blue business suits and a lexicon that borrows increasingly less from Marxism and more from the *Harvard Business Review*. But many of the lessons of western economists go unheeded. China's economy ranked way down in a survey on economic freedom produced by the Cato Institute in December, particularly embarrassing for Beijing since Hong Kong topped the list, ahead of the US.

Little wonder Beijing's score was so low: China has reneged on WTO commitments by continuing to use quotas and import licensing rules to keep out imports in sensitive sectors like food and retailing. VAT taxes and limited distribution rights also make life hard for foreign companies. In the cosmetics and chemicals sectors Beijing stands accused of using health and technical regulations as barriers even after tariffs have been pulled down. High tech firms meanwhile chafe at investment requirements and import barriers which force companies to bring new technology into China. WTO commitments have not stopped local Chinese companies illegally copying that technology, along with everything from Viagra to Luis Vuitton bags. Ireland's music industry suffers from losing to pirated copies of Westlife, U2 and Enya which are mass produced in China. Guff and promise aside there's been little serious government action. "Little has changed in the past year, with regard to enforcement," says Serge Janssens de Varebeke, president of the European Union Chamber of Commerce in China. The European chamber put infringement of intellectual property rights as their biggest problem in China, with losses running into tens of millions of euros.

Still, there's promise. The European Union Chamber of Commerce reported in October that 64 percent of members expected to turn a profit in their Chinese operations in 2004. One of the Chamber's prominent members, the Kerry Group runs a profitable food ingredients business in Shanghai. But Ireland could have some catching up to do in China. New Zealand, with a similar-sized population, lies the same flying distance from China as Ireland yet its dairy products are much more visible in Chinese supermarkets and its third level education sector is represented by several offices around China. Ireland has no such office in China.

Ireland is a faraway green country in most Chinese eyes. Young educated Chinese listen to U2 and can distinguish between Robbie and Roy Keane. But the Chinese are convinced of their own greatness and of China's destiny to be a great power. By spending six days in the country Bertie Ahern acknowledged the importance of China to the future of the world economy. Bertie's visit was a good start. But he'd better come back often if the ambitious agreements set during his recent visit are realised. With some catching up Ireland could do well off China's new found prosperity. Bertie Ahern went down well with the Chinese. But even the happy Buddha had his unhappy days.