

Companies Might Cut China Investment

Joe McDonald, AP Business Writer

BEIJING (AP) — Frustrated by China's market barriers, European companies might shift future investment to other economies, a business group said Tuesday, in an unusually pointed warning about a possible backlash over Beijing's trade policies.

Beijing faces a flurry of complaints by the European Union, the United States and other nations that it is violating its trade commitments by protecting or subsidizing its companies in industries from steel to solar power. With a weak global economy threatening to push up unemployment, Washington and other governments face political pressure to respond.

Half of some 557 European companies that responded to a survey say regulatory barriers have limited their business opportunities and hurt profits, according to the European Union Chamber of Commerce in China. One in five companies said that might prompt them to shift future investment to other economies.

"Companies feel as if they missed business opportunities, and if this continues, they might consider to shift their business operations outside of China," the group's president, Davide Cucino, said at a news conference.

Cucino said that if he were a Chinese official, "I would think this sounds alarming."

He appealed to Chinese authorities to give foreign companies access to banking, insurance and a wide array of other "strategic industries" that are dominated by state enterprises.

Foreign business groups have complained for years that Beijing improperly favors Chinese enterprises but global companies have continued to invest and are reluctant to talk publicly about their frustrations for fear of angering communist authorities. Thursday's report was unusually explicit in saying companies' frustration has grown so severe that they might scale back investment plans.

The potential threat to investment could be a setback to Chinese government efforts to reverse a sharp economic downturn. The Cabinet said last week it wants more private sector spending but gave no indication whether foreign companies would be eligible for tax cuts and other proposed incentives.

Tensions over Beijing's industrial policies have led to a volley of trade complaints.

The U.S. Commerce Department concluded this month that Chinese manufacturers were selling solar power equipment below fair value and proposed imposing a 31 percent tariff. Beijing fired back with a ruling by its Commerce Ministry that Washington's support for six renewable energy projects in the United States violated free-trade commitments.

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On Friday, Beijing filed a case with the World Trade Organization in Geneva challenging U.S. anti-dumping and other measures against 22 types of Chinese goods.

As for Europe, the EU is preparing to launch a trade case against Beijing after concluding Chinese telecoms equipment producers receive improper subsidies, the Financial Times newspaper reported last week.

Chinese leaders including Premier Wen Jiabao, the top economic official, have publicly assured foreign companies they are welcome in China and have changed some rules that favored local competitors. But in many areas, foreign companies complain they are blocked by Beijing's efforts to nurture Chinese industry.

A March report by the American Chamber of Commerce cited problems including restrictions on investment in some areas and pressure for foreign companies to hand over technology to Chinese partners.

Cucino noted that while Wen and other top leaders have promising to open more areas of the economy to foreign companies, the Finance Ministry last week ordered local agencies to buy Chinese goods.

Companies have to look "not to the statement but to the facts," Cucino said.

Cucino also appealed to Chinese authorities to treat foreign companies equally with state-owned Chinese enterprises and to promote free-market competition.

The World Bank and private sector analysts have urged similar steps, warning that they are needed to keep China's economy growing.

The Cabinet said last week it would give private investors more access to China's energy and other government-dominated industries, but Cucino said European companies have yet to see any sign they might benefit from that.

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