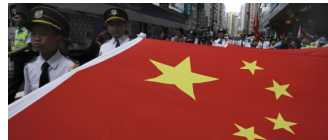


China Discriminates Against Foreign Companies, Survey Says

AP | By By JOE McDONALD

Posted: 05/25/2011 11:19 am EDT | Updated: 07/25/2011 5:12 am EDT



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BEIJING — A growing number of European companies in China believe they are being treated unfairly by the government and expect discrimination to increase, a business group said Wednesday.

The European Chamber of Commerce in China's report adds to mounting complaints that Beijing is violating its free-trade pledges as it tries to build up technology industries and global competitors.

The chamber said 43 percent of 598 European companies that responded to a survey see Beijing discriminating against foreign businesses, up from 33 percent in a similar survey last year. It said 46 percent expect the problem to get worse over the next two years, up from 36 percent last year.

The chamber president, Davide Cucino, appealed to Chinese regulators to "remove all obstacles" to a "level playing field."

Beijing has pledged to treat foreign and domestic companies equally but Chinese producers in computers, clean energy and other fields receive subsidies, preferential treatment in government purchasing and other favors.

Access to the world's second-largest economy is especially sensitive at a time when other governments are trying to create jobs following the 2008 global financial crisis.

The American Chamber of Commerce in China said in a report last month that U.S. companies believe China's protectionism has worsened since the crisis and they are being hurt by its technology policies.

Some 20 percent of European companies responding to the survey said they were considering responding to discriminatory treatment by suspending or reducing planned investments in China.

Some European wind power companies have scrapped plans to invest in China after finding regulatory barriers "too tough," said Cucino, the chamber president.

Despite three decades of reform, China's heavily regulated economy is dominated by state-owned companies. Beijing is trying to build up "national champions" in industries from banking to oil to shipping, prompting complaints it is violating the spirit of pledges it made when it joined the World Trade Organization in 2001.

In a report last month, the European chamber said foreign companies are treated unfairly in China's government procurement, a market worth an estimated 6.8 trillion yuan (\$1 trillion) a year.

Despite such complaints, many European companies see China as a key part of their global plans, the chamber said. It said 59 percent of those responding to its survey plan to make a major investment here in the next two years, up from 48 percent in last year's survey.

"There is an optimism about growth of the market," Cucino said.

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 Japan, China, Korea closer to free-trade pact (http://www.marketwatch.com/story/japan-china-korea-closer-to-free-trade-pact-2011-05-22?link=MMW_latest_news)

²² China 'unfair to foreign firms' (<http://www.bbc.co.uk/go/raa/1/nt/news/1/news/business-13538046>)

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