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Most U.S. Firms in China Optimistic Despite Challenges

While business is profitable companies are worried about inconsistent enforcement of laws, discriminatory domestic innovation policies and regulations that limit market access.

Friday, April 02, 2010

By . Agence France-Presse

Despite growing concerns about discriminatory policies they say limit their access to the country's massive market, most U.S. firms in China are positive about the future, a survey released on April 2 said.

The American Chamber of Commerce in China asked 388 companies about their five-year outlook for the Asian nation, with 91% saying they were slightly optimistic or optimistic, compared with 81% in 2009.

The survey was conducted late last year before Google's spat with Beijing over censorship and the trials of four Rio Tinto employees in China.

While most American companies were doing well in China -- 71% said they were profitable or very profitable -- they faced "complex challenges", said John Watkins, chairman of the business group.

"They are troubled by a mounting number of policy challenges ranging from the inconsistent enforcement of laws, to China's discriminatory domestic innovation policies and regulations that limit market access," he said.

"These policies appear to be diminishing the ability of foreign companies to access the Chinese domestic market, right at the time China shifts from being an export-led economy to a more domestic-consumption-led economy."

The 12th annual business climate survey comes amid growing tensions between Washington and

Beijing over a range of contentious issues such as the value of the Chinese currency. It was released nearly two weeks after a smaller survey by the chamber on China's new "indigenous innovation" policy, which is viewed by some foreign businesses as favoring domestic companies.

That survey showed a growing number of U.S. firms felt unwelcome in China due to discriminatory government policies and inconsistent legal treatment.

The findings were echoed in an annual report by the U.S. Trade Representative and submitted to Congress on March 31 that said China had erected new hurdles to foreign competition through the innovation policy.

The new rules stipulate that sellers of high-tech goods must contain Chinese intellectual property for them to be included in a government procurement catalogue. Accredited products will be favored, according to the policy, which foreign firms say effectively excludes them from the process.

China on April 1 rejected mounting complaints about its business environment, saying it treated all investors equally and that any difficulties were due to increased competition in the market.

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