

Business group: China tech plan threat to foreign firms

March 7 2017, by Joe Mcdonald



In this Tuesday, Feb. 28, 2017 file photo, a worker tests LED lights at a factory in Suining city in southwestern China's Sichuan province. China is violating its free-trade pledges by pressing foreign makers of electric cars and other goods to hand over technology under an industry development plan that is likely to shrink access to its markets, a business group said Tuesday, March 7, 2017. (Chinatopix via AP, File)

China is violating its free-trade pledges by pressing foreign makers of

electric cars and other goods to share technology under an industry development plan that is likely to shrink access to its markets, a business group said Tuesday.

The report by the European Union Chamber of Commerce adds to mounting complaints Beijing improperly shields its fledgling developers of robotics, software and other technology from competition.

Technology is a growing flashpoint in trade tensions with Washington and Europe, which worry their competitive edge is eroding as Beijing buys or develops skills in semiconductors, renewable energy and other fields.

European companies express frustration Chinese enterprises have been permitted to acquire technology leaders such as German robot maker Kuka while most of China's assets are off-limits to foreign buyers. In December, Germany blocked the Chinese purchase of a chipmaker, Aixtron, after Washington objected on security grounds.

The European chamber warned tactics Beijing is using to carry out its "China Manufacturing 2025" initiative might inflame sentiments in Europe and the United States in favor of trade controls.

The plan calls for China to be able to supply its own high-tech components by 2020 and materials by 2025 in 10 industries from information technology and aerospace to pharmaceuticals. A broad outline was issued in 2015 and officials have been gradually releasing details.



In this Oct. 27, 2013 file photo, a worker walks among electric cars in a factory in Zouping county in eastern China's Shandong province. China is violating its free-trade pledges by pressing foreign makers of electric cars and other goods to hand over technology under an industry development plan that is likely to shrink access to its markets, a business group said Tuesday, March 7, 2017. (Chinatopix via AP, File)

Suppliers of [electric cars](#) and other goods are under pressure to hand over technology in violation of Beijing's World Trade Organization commitments, the European chamber said. It said that also contradicts the ruling Communist Party's repeated promises of equal treatment and to give market forces a bigger role in the state-dominated economy.

That strategy "is in fact a large-scale import substitution plan aimed at nationalizing key industries, or at least severely curtailing the position of foreign business in them," the chamber said.

In a possible response to such criticism, China's top economic official, Premier Li Keqiang, promised in a speech Sunday [foreign companies](#) would receive "equal treatment" under the manufacturing plan. He gave no details.

Foreign suppliers of technology from X-ray scanners to wind turbines to bank security software complain they face growing official obstacles to making sales in China. Those range from controls based on national security concerns foreign suppliers say might be exaggerated to procurement rules that encourage hospitals and other customers to favor Chinese suppliers.

Beijing has clashed repeatedly with Washington and Europe since the 1990s over its efforts to induce foreign companies to hand over encryption and other technology.



In this April 25, 2016 file photo, a staff member climbs out of a Morning Wind

electric car from Chinese automaker Venucia on display at the Beijing International Automotive Exhibition in Beijing. China is violating its free-trade pledges by pressing foreign makers of electric cars and other goods to hand over technology under an industry development plan that is likely to shrink access to its markets, a business group said Tuesday, March 7, 2017. (AP Photo/Mark Schiefelbein, File)

In November, Chinese legislators approved a cybersecurity law business groups warned would hamper access to technology markets. They said a provision requiring security technology to be "secure and controllable" might require providers to disclose how products work, raising the risk trade secrets might be leaked.

In electric cars, where Beijing sees major opportunities, the manufacturing plan says two of the top 10 global brands by 2025 should be Chinese, the European chamber said. It said that rules out joint ventures created by foreign companies with Chinese partners.

The chamber appealed to Chinese leaders to discard quotas and other controls and focus instead on encouraging basic research and improving their manufacturing base.

"Perfecting the market would do far more to ensure that China reaches its full potential for economic development and innovation than more old-school, expensive industrial planning ever could," the chamber said.

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