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China vows to treat foreign business fairly

By Jamil Anderlini in Beijing and Mure Dickie in Tokyo

The man expected to become the next leader of China's ruling Communist party has responded to a growing wave of complaints from foreign investors by assuring them the country will remain an open and fair place for them to do business.

Xi Jinping, a vice-president and the heir apparent to Hu Jintao, told an investment forum on Tuesday his government was taking "vigorous steps" to ensure China "remains the most appealing destination for investment in the world".

His comments come amid increasingly outspoken criticism of China's business environment from investors in numerous sectors and from a broad range of countries.

These companies point to a wide range of discriminatory government practices and regulatory barriers to foreign investment, government procurement rules that favour domestic companies and the country's lack of a transparent and independent legal system.

On top of complaints from North America and Europe, Japan has also become more outspoken about the problems of business in China.

At a high-level economic meeting in Beijing last month, Katsuya Okada "very frankly" told Chinese leaders that Japanese companies still faced "all kinds of obstacles" in doing business in China. citing the difficulty they faced winning cases in local courts and rampant intellectual property abuse.

Mr Okada said the fact that Chinese official unions did not always really speak for workers made it difficult for Japanese businesses to prevent labour trouble. "I said I wanted them to work hard to resolve this," the minister told journalists.

However, Chinese leaders have appeared unmoved by such lobbying. Japanese officials quoted Mr Wen as saying that the background to labour unrest at foreign companies was that the wages they paid were "relatively low".

While Mr Xi mostly stuck to Beijing's official position that things were not getting harder for foreigners, he adopted a conciliatory and sympathetic approach to the concerns of international investors.

"As China's open economy continues to develop, foreign investment in China will surely enjoy an even broader space and generate even higher profits," he said on Tuesday.

His comments echo the tone adopted by Wen Jiabao, premier, last week when he admitted the government had some work to do but that he wanted to create an environment that encouraged investment.

Mr Wen and other officials have highlighted official statistics that show foreign direct investment (FDI) in China has been growing rapidly this year and is expected to exceed $100bn this year, up from around $90bn last year.

But 60 per cent of foreign investment to China last year came through Hong Kong and analysts say these figures provide little guidance about the international appetite for investing in China.

That is partly because a large portion is money being moved onshore by the overseas subsidiaries of large state-owned Chinese companies while another chunk is most likely "hot money" coming into the country disguised as FDI to evade capital controls.

Foreign-invested enterprises account for 22 per cent of tax revenues, 28 per cent of added industrial value, 55 per cent of foreign trade and 45m jobs in China, Mr Xi said.

"Many foreign-invested enterprises in China have become the growth engine and profit centre for their parent companies' global business," he added.

But foreign companies have been losing market share to domestic Chinese competitors across most sectors, according to foreign business groups in China.

In the past few months, a number of executives, including the chief executives of industrial multinationals General Electric, Siemens and BASF, have made comments on the tougher operating environment for foreign businesses in China.

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