

Economy

'Discriminatory' govt procurement rules scrapped

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Updated: 2011-07-01 10:15

BEIJING - Three key rules on indigenous innovation for government procurement, which have come under fire from foreign companies for being discriminatory, were scrapped on Friday.

Experts said the move, praised by foreign firms for allowing them better access to the domestic market, shows that the government is determined to continue to open to the outside world and treat Chinese and foreign companies equally.

The Ministry of Finance said on its website that the three rules, linking government procurement to indigenous innovation by domestic firms, have been scrapped from July 1.

A series of policies, introduced in 2006, were drawn up to encourage indigenous innovation in the technology and energy sectors, and give certified Chinese companies better access to government purchasing orders.

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The three rules concerned providing financial aid to domestic companies dedicated to indigenous innovation.

Foreign companies, however, viewed the policies as preventing them from accessing the Chinese market.

In December 2009, more than 30 businesses, representing the world's major technology firms, wrote to the Chinese government claiming that the policies were discriminatory.

Foreign businesses praised the scrapping of the rules, calling it a positive sign and an indication that they would have easier access to government purchasing orders, worth \$1 trillion annually.

The move is "a step forward toward leveling the playing field in the government procurement market in China,"

Davide Cucino, president of the European Chamber of Commerce in China, said.

"The European Chamber has continuously promoted the decoupling of indigenous innovation from government procurement policy. The repeal represents another step forward following clarification from the Chinese government to the European Chamber in December 2009 that indigenous innovation policies were never intended to be discriminatory."

The American Chamber of Commerce in China also welcomed the news.

"It is a meaningful step ... in de-linking government procurement from indigenous innovation, and it is consistent with China's commitments made during the recent Sino-US Strategic and Economic Dialogue," AmCham-China said in a statement but also warned that it would monitor its implementation.

"We will continue to watch implementation of the commitments, continuing with other parts of the indigenous innovation regulatory regime.

"The best solution would be China's accession to the Government Procurement Agreement (GPA) under the framework of the World Trade Organization. We urge China to move forward with a robust revised accession offer."

During a visit to Washington in January, President Hu Jintao said that China would not discriminate against products made with foreign technology when it comes to government procurement contracts.

John Frisbie, president of the US-China Business Council, said "though the measures represent only a portion of the full list of regulations that tie indigenous innovation and government procurement, (their) elimination ... is an important step toward fulfilling pledges (made by China)".

The US-China Business Council is a Washington-based organization that represents US companies in China.

"The announcement is a step forward in China's opening to the outside world. It suggests that China welcomes foreign businesses," said Wang Zhile, director of the research center on transnational corporations under the Ministry of Commerce.

For European companies with investments in China, the abolishment of the rules will increase their confidence to continue partnerships with Chinese counterparts, Cucino said.

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