

Protectionist fears over China stimulus

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A senior European business representative has accused Beijing of deliberately locking foreign suppliers out of contracts under its Rmb4,000bn (\$586bn, €421bn, £365bn) stimulus package.

"All the foreigners are out of the race" for a package of 25 wind turbine orders worth more than €5bn, said Joerg Wuttke, president of the European Union Chamber of Commerce in China. "It seems that the central government has decided that this must be awarded to Chinese manufacturers and not foreigners who have invested big in China."

The complaint is a significant contrast to the message Beijing has sought to convey, that it is making a contribution to help salvage the sagging global economy.

At an EU-China summit in Prague last week, José Manuel Barroso, the European Commission president, and Wen Jiabao, the Chinese premiere, presented a united front in pledging to resist **protectionism**.

Since the beginning of the year, Beijing has sent government and corporate officials on "buying missions" to the US and Europe.

Mr Wuttke said the bidding criteria for the wind projects were set in a way that made it difficult for foreign suppliers to win, focusing solely on the turbine unit price and excluding factors such as life-cycle cost and rates of return, which are considered in wind power tenders elsewhere.

The failure of the world's leading wind turbine makers including **Vestas**, **Gamesa**, **Suzlon** and **GE** to even make it into the second round of the bidding has caused frustration as they have invested big in response to Beijing's demand that they source at least 70 per cent of their components locally.

"Now these steps seem to only have the effect to help strengthen the domestic players," said a foreign wind turbine executive who asked not to be named.

China has more than 70 wind turbine makers which have grabbed an increasing share of the market in recent years. In 2008, foreign companies supplied just 24.4 per cent of newly-installed capacity, says the Chinese Wind Energy Association.

Industry sources said the pattern of forcing foreign companies to foster domestic competition through local content and technology transfer demands was a "déjà vu" in China. "The industry is worried that this pattern might also apply to other segments like the nuclear industry and trains," said Mr Wuttke.

China installs 90-100GW in nuclear power generation capacity a year, making it the world's largest market for such equipment. But it has said it will not approve foreign reactor projects unless the supplier commits to technology transfer.

At a meeting in Brussels earlier this month, the EU and China discussed the importance of ensuring that their companies were able to compete fairly for contracts arising from their respective economic stimulus packages.

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