

Beijing issues 'Buy China' order for stimulus funds

Move follows official criticism of Washington's 'Buy American' provisions

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China has imposed a requirement for its stimulus projects to use domestically made goods - a move that could strain ties with trading partners after Beijing criticized Washington's "Buy American" stimulus provisions.

Projects must obtain official permission to use imported goods, said an order issued by China's main planning agency and eight other government bodies.

Even before the order, business groups worried that foreign companies might be excluded from construction and other projects financed by Beijing's four trillion yuan (\$586-billion U.S.) stimulus. Foreign makers of wind turbines complain they have been shut out of bidding on a \$5-billion stimulus-financed power project.

"Government investment projects should buy domestically made products unless products or services cannot be obtained in reasonable commercial conditions in China," says the order, dated June 1 and reported this week by state media.

"Projects that really need to buy imports should be approved by the relevant government departments before purchasing activity starts."

Beijing's stimulus is aimed at insulating China from the global slump by boosting domestic demand through higher spending on construction of highways and other public works.

The communist government promised in February to treat foreign and domestic goods equally in stimulus spending and has appealed to other governments to support free trade and avoid protectionism.

China criticized Washington for a provision that would favour U.S. suppliers of steel, iron and manufactured goods in projects financed by its stimulus. That protectionist provision has led to furious lobbying by Canadian companies and Canadian government officials who worry that it will cost thousands of jobs in Canada as Canadian companies lose business they normally would get.

China's main state news agency labelled the U.S. Buy America conditions "poison" to efforts to solve the global economic crisis.

China's World Trade Organization commitments require it to treat foreign and domestic goods equally in commercial trade. But Beijing has not signed a WTO treaty that extends

such requirements to government procurement, which might limit options for challenging Beijing's "Buy China" order.

Authorities are looking into complaints by Chinese companies that they were unfairly excluded from stimulus projects, the government announcement said.

"Bidding documents set a lot of discriminatory conditions to illegally limit Chinese-made equipment. This phenomenon is very obvious and in some cases very severe," it said. "It limits the improvement of the equipment manufacturing industry."

The order does not make clear whether domestically made goods includes products of China-based operations of foreign companies. Spokespeople for the planning agency and the Commerce Ministry did not immediately respond to requests for more details.

The European Chamber of Commerce in China said in May that European makers of wind power equipment, even those with Chinese factories, have been eliminated from bidding for a \$5-billion stimulus-financed power project.