BEIJING: A European business group warned that China is running out of time to keep slowing economic growth on track and needs to speed up market-opening reforms promised in a 2-year-old development plan.

In some areas, the ruling Communist Party is moving backward on reform pledges by reducing market access for foreign and private companies, said the European Union Chamber of Commerce in China in a report. It pointed to proposed laws that would limit use of foreign security and computer technology.

Growth in the world’s second-biggest economy fell to a two-decade low of 7.4 percent last year. It is forecast to fall further as the ruling party tries to shift to sustainable expansion based on domestic consumption and service industries instead of trade and investment.

Concern about a possible “hard landing” of plummeting growth that triggers political tensions has mounted as manufacturing, auto sales and exports weakened this year.

“The current slowdown could evolve into a soft landing if China manages to rebalance its economy,” the chamber report said. But with an aging population, the report said, “its window of opportunity to successfully roll out the structural reforms needed to do so is rapidly closing.”

The party’s long-range development blueprint issued in 2013 calls for making the state-dominated economy more productive by giving market forces a central role and opening more industries to private and foreign competitors.

The chamber termed current conditions “reform and closing up” — a play on the party’s long-time description of its economic plans as “reform and opening up.”

Volatile markets

The report echoes a similar appeal last month by the American Chamber of Commerce in China for Beijing to move faster on opening banking, insurance and other service industries to private and foreign competitors. The group said that could help China improve its volatile financial markets and cope with disasters such as the deadly chemical explosion in the port of Tianjin.

Beijing has made some changes such as repealing in April a rule that limited foreign investors to owning only a minority stake in online commerce businesses. But it has yet to make significant changes to reduce the dominance of politically favored state-owned enterprises, or SOEs.

“Basically, we still see market forces being impaired by the strengthening or even the expansion of SOEs,” said the chamber president, Joerg Wuttke, in an interview ahead of the report release.

The chamber urged the Chinese leadership to speed up reforms aimed at making bank lending and other financial businesses more market-oriented. It called for an end to China’s system of catalogues that tell foreign companies in which industries they can invest. Instead, it said Beijing should carry out its repeated promises to switch to a “negative list” that would put some areas off limits for national security or other reasons, while leaving the rest of the economy open.

The chamber warned that recent legal changes could close wide swathes of the economy to foreign and private business. It pointed to a sweeping, vaguely worded National Security Law, proposed restrictions on use by banks of foreign security products, a law tightening control over non-governmental organizations and proposed cyber-security and anti-terrorism laws.

“Yes, China needs a national security law,” said Wuttke. “But the wording is so opaque and vague that a lot of mergers and acquisitions by foreign businesses in China could be impossible.” — AP