Spotlight: China urges Mexico to protect Chinese firms' rights

MEXICO CITY/BEIJING, Feb. 2 (Xinhua) -- China urged the Mexican government to ensure the legitimate rights and interests of Chinese companies when dealing with problems caused by the suspension of a high-speed railway project, China's state planning body said on Monday.

Mexico announced last Friday it had "indefinitely" suspended the country's first high-speed railway project, as part of actions taken to cut the 2015 budget.

"We feel really sorry about the decision. Chinese companies have invested much in bidding for the project," said China's National Development and Reform Commission (NDRC) in a statement.

China hopes the Mexican government could deal with the problems caused by the suspension of the project appropriately, effectively protect Chinese companies' legitimate rights and adopt active measures to promote pragmatic cooperation between the two countries, the statement said.

The announcement of "indefinite suspension" marked another dramatic twist of the event since bidding process started for the Mexican high-speed rail project, which is expected to cost 3.75 billion U.S. dollars.

The bid was won by a Chinese-led consortium last November but the government later abruptly annulled the result citing domestic reasons.

China Railway Construction Corporation (CRCC), which led the consortium in the last tender, had decided to re-enter the bidding.

With abundant construction and operation experiences in high-speed rail lines in China and overseas, the CRCC said it was confident to clinch the contract with its advanced, reliable and cost-efficient high-speed rail technologies, as well as the comparative advantages in cost control and productivity.

Beside the Chinese-led consortium, there were also companies from Canada, France, Spain and Italy to participate in the fresh round of bidding, according to Gerardo Ruiz Esparza, Mexico's transportation minister.

The formal bidding documents had been expected on Jan. 28 but postponed. And the decision of "indefinite suspension" came two days later, with officials claiming the decision was made in consideration of its possible impact on a budget already strained by plummeting oil prices.

Though the decline in oil prices will not affect economic growth projections for the year, the proposed trans-peninsular rail linking southeastern Mexican states of Quintana Roo and Yucatan will be "definitively" canceled and the high-speed rail project designed to connect Mexico City, the national capital, with the central industrial hub of Queretaro will be "indefinitely" suspended, Mexican Finance Minister Luis Videgaray said on Friday at the press conference.

The two rail projects nixed for now "not just because of the impact they would have on public finances in 2015, but above all because of the pressure they would place on public spending in the years following 2016," Videgaray explained.

As a major crude oil exporter, Mexico government uses oil revenues to fund about one third of its budget, which has been hurt by the drop in oil prices.

Also influenced by the budget cut are Mexico's state-owned oil company Pemex and the Federal Electricity Commission.

Videgaray said that the total budget cut, which is the equivalent of 0.7 percent of the country's GDP, was intended to reassure investors that Mexico will keep its finance in order.

But some experts worried that this move might send negative signals.

The cancellation of the trans-peninsular train and suspension of the high-speed rail are "bad signs" for international investors who might think that "in Mexico projects can be suspended overnight," local daily La Jornada cited Haydee Elena Moreyra Garcia, professor of economics with the Monterrey Institute of Technology and Higher Education (ITESM), as saying.

Also cited by La Jornada, Jose Luis de la Cruz, president of the Institute of Industrial Development and Economic Growth, said to suspend infrastructure projects such as the high-speed railway saves money for now but the move potentially hurts the economy in the long run with the productivity remains unchanged.