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Analyzing China Harmonization of Technical Barriers to Trade in the EU and US Markets

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Abstract: As the course of economy globalization and trade liberalization have been speeding up, the protective in the international trade have changed greatly. Especially in the recent years, it is widely recognized that technical barriers to trade create numerous obstacles to the international exchange of primary and processed products in The EU and US markets. This article proposes the definition and classification of technical barriers to trade and provides a preliminary framework for analyzing the vast array of measures. It will try to put forward some appropriate countermeasures in view of Chinese specific situations.

Keywords: TBT, Trade, The EU and US Markets

1. INTRODUCTION

As growing trade fosters deepening integration of markets, technical barriers to trade are increasing important in international trade and have a much stronger impact on The EU and US markets. The EU and US have placed TBT in front of the exporters to block the products from entering their markets, and the disingenuous use of technical measures can be a non-transparent and difficult-challenge means of providing protection for domestic producers. Therefore, the benefits of sound economic analysis of current technical barriers to trade and consideration of pertinent policy options will increase as well. Statistically, technical barriers to trade create numerous obstacles to 71% of the total Chinese corporations with 39% of the total export goods. It is increasing loss of costs and great ventures. For example, 95% of the total expense from Chinese company had seventeen billion dollars in 2002. This article represents a first step in advancing understanding of technical barriers to trade and provides a preliminary framework for analyzing this vast array of measures, so as to foster research that will provide the answer to these questions.

2. DEFINITION AND CLASSIFICATION OF TECHNICAL BARRIERS TO TRADE

2.1 Definition of technical barriers to trade

Technical barriers to trade are defined as “internationally divergent regulations and standards governing the sale of products in national markets which have as their prima facie objective the correction of market inefficiencies stemming from externalities associated with the production, distribution, and consumption of these products.”^[1] This definition includes standards of identity, measure, and quality, global commons, and packaging measures. Considering the product coverage of questionable measures, the estimated trade impact of technical barriers to trade accounts for 30% of estimated total trade impacts of all non-tariff barriers, which are the most non-transparent trade barriers.

2.2 Classification of technical barriers to trade

Technical standards and regulations stipulate technically feasible requirements that exports must meet to gain entry to the home country market.^[2] In practice, the EU has 100,000 technical restrictions and standards, which Germany has 15000 industry standards, and Japan, 8148 industry standards and 397 agriculture standards. Products safety measures reduce risks from both biological stressors, such as microbial contaminants,

as well as chemical stressors, such as food and feed additives, to protect consumers from involuntary risks. Quality and certification standards specify the ends characteristics of a product related to size, weight, or any number of other product attributes. Packaging and labeling requirements regulate a broad range of container attributes, from dimensions, biodegradability of packaging material to health and safety restrictions, to realize a wide range of regulatory goals. Environment trade measures are likely to use widely because of increased demand for health and protection of natural environment from harmful non-indigenous species.

3. IMPACT AND REASON ANALYSIS OF TECHNICAL BARRIERS TO TRADE ON CHINA ENTERPRISES

3.1 Impact of TBT on China enterprises

Technical barriers to trade create numerous obstacles to the international exchange of goods in US and European countries. Such barriers exist in most industries with large amount of amercement in wide areas, particularly important in the trade of agricultural goods, textiles toys, machines and high-tech products. The required technical tests have been placed in front of China firms to block products from entering The EU and US markets because of the increasing cost of exporters, international competitiveness problems and great pressure on employment. Technical barriers to trade block our products from entering The EU and US markets. In 30th of January of 2002, the EU paused importing primary and processed animal produces because of the over standard Chloromycetin in frozen prawn from ZHOUSHAN. Then some other counties placed technical barriers to trade in front of our firms to block meat and bee products as well. Technical barriers to trade greatly increase the cost of China producers and decrease the international competitiveness of products. According to agreement of 1999, the EU enacted the new standard probation and quarantine to require no ligneous epidermis in woody packaging, no longer than 3-millimeter diameter of wormy holes, and woody packaging be approached by heating. ^[3]The TBT also calls for internationally negotiated and agreed standards, such as the ISO 9000 and the ISO 14000, CE standards of EU, UL standards of US, etc. Strict and additionally required tests increase the cost of exporters, and International competitiveness of products will be decreased therefore. Great pressure on employment problems, the critical issue that Chinese companies currently face is the restriction of production, bankruptcy and the great pressure on employment. In December of 1999, the EU formally banned sales of PVC wading toys and commodity with 6 kinds of phosphate plasticizer for under 3-year old children. Decreasing China exportation every year, TBT have great impact on labor-intensive goods, and bring unemployment problems directly.

3.2 Reasons analysis of TBT to China companies

Slump of world economy and arise of trade protectionism. With the slump of world economy, the recent trends in The EU and US global economy present an extraordinary gloomy picture, while China leads in many areas of economic development of the whole world notably, particularly the strong performance of large share in the total world trade export. With the arise of trade protectionism, technical trade measures are designed to satisfy the growing demand for block products from entering their markets and avoiding deflation. China productivity and quality lagging behind that of foreign competitors damage China business. No nation can lead in every area of technological development, which an economy the size of China should strive to compete in all. Because China productivity and quality legging behind of foreign competitors, erratic product and service quality that damages China business. Improving productivity and quality is the most important means of strengthening business competitiveness. There are many problems regarding organization and management for quality standardization. From the management and organization perspective, standards available for China companies are ineffective or inappropriate for the achievement of the International Organization for standardization. The EU and US call for the use of internationally negotiated and agreed standards where they

exist and are locally feasible, which may favor the ISO approach. There would be many problems for developing organization and management for standardization.^[4]

The EU and US are the dominant sources of China exports, and pioneers in developing technical barriers to trade. The EU and US are the two most important trading partners of China and the dominant sources of China exports, while they are pioneers in developing new technologies and products and therefore, new technical barriers to trade. New technologies and new products will lead to changes in regulatory policies, which may create trade frictions.

4. STRATEGIES FOR REMOVING TBT IN THE EU AND US MARKETS

With the proliferation of TBT in the future, the most important issue that China companies face is find ways to improve their ability to compete more effectively at home and abroad. Results indicate that the four most important tasks for the China enterprises in the long run is to:

4.1 To Promote technical innovation and development of high-tech industry

China companies should utilize variables to promote competitiveness in high technology. Such as increasing commercial R&D expenditures and financial incentives for domestic R&D. Clearly, the most important means for improving quality, and thus competitiveness, cluster around the human resources area, motivation, employee training and education, etc.

4.2 Market expansion in the increasingly global market

The EU and US are the two most important trading partners of China and the dominant sources of China exports. These countries demand a higher level of food and environmental safety by restricting entry of unsatisfactory products at the border.^[5] China firms could manufacture different products for different markets for market expansion in the increasingly global market. Strategically, international marketing policy should be adjusted. Chinese corporations should pay equal attention to trade and investment to produce in the plants and distributing on the spot in the overseas market. For instance, products are manufactured by Chinese household appliances in Mexico plant and could enter into the North America market successfully in virtue of favorable treatments of NAFTA.

4.3 To apply the WTO 's agreements on technical barriers to trade flexibly and proficiently

The WTO Agreement continues the historical progression of multilateral trade negotiations that periodically augmented and steadily reinforced rules for the use of technical barriers to trade over the past 50 years. As one of WTO members, China companies are now subject to these agreements and are encouraged to use international standards and regulations proficiently. In the absence of harmonization, enterprises are encouraged to apply the principle of equivalency and negotiate flexibly.^[6]

4.4 To satisfy the growing demand for environment amenities

For environmental purpose the WTO members should have both the power and the inclination to make significant use of unilateral trade restrictions.^[7] Companies should think it their duties to place restrictions on domestic production practices related to preservation of the global biosphere, to use a wide variety of sanitary and phytosanitary measure to mitigate the diverse “public risks”, which potentially threaten commercial crops and herds, human health, and the natural environment, and to regulate stochastic mishap associated with biological hazards to native flora and fauna.

4.5 To protect Intellectual property

Technical barriers to trade are based mainly on technical standards, which are based on patent techniques. Technical barriers to trade strongly impede exports from China. The technical innovations are not strong enough to compete in the dominant markets with the lack of independent intellectual property. The CR Act that the first technical trade barrier China met in the EU market as a WTO member made Wenzhou firms producing lighters

no export advantage left. ^[8]Since this Act stipulates that lighters below 2 euro must be set safety device, which the patents of that are all mastered by USA, the EU, Japan and Korea. Therefore, leaves the only choice to make the purchase of the patents with costly expense. Thus the benefits of improving R&D, quality of products and protecting intellectual property will increase as well.

4.6 To satisfy the demand for environment amenities

Not only such factors as price, quality, service and so on, but increasing demands for protection of natural environment are considered by consumers in developed countries nowadays. And in order to increase the competitiveness in the world market, corporations should adopt ISO 14000-environment management system necessarily. ^[9]

4.7 To establish trinity (government, union and enterprises) to remove TBT

It is suggested that the government establish trinity and strengthen the communication and corporation with the major trading partners in order to take advantage of abroad sources of information and policies and the function of organization, accordance, management of the union should be strengthened so as to provide enterprises with complete and convenient services. While with the help of the government, corporations should adopt quality guaranteed standards to remove TBT in developed countries through the effective bilateral agreement between the government and international authorities.

4.8 To understand information about TBT in WTO

Chinese company could know notification which every country issue to WTO. For example, UNITED STATES had issued notification at committee on sanitary and phytosanitary measures of WTO in 18 March 2005. Environmental Protection Agency (EPA) has received a pesticide petition to establish tolerances for residues of: Fluoride in or on the following raw agricultural commodities: Animal feed at 130 parts per million (ppm), beef, meat at 40 ppm; cheese, post harvest at 5 ppm; cocoa bean, post harvest at 12 ppm; coconut, post harvest at 40 ppm; coffee, post harvest at 12 ppm; cottonseed, post harvest at 13 ppm; egg at 850 ppm; ginger, post harvest at 13 ppm; grain, cereal, forage, fodder and straw group 16, post harvest at 130 ppm; grass, forage, fodder and hay group 17, post harvest at 130 ppm; ham at 20 ppm; herbs and spices group 19, post harvest at 50 ppm; milk at 3 ppm; nut, pine, post harvest at 10 ppm; other processed food at 70 ppm; peanut, post-harvest at 13 ppm; rice flour, post harvest at 98 ppm; and vegetable, legume, group 06, post harvest at 6 ppm. Sulfuryl fluoride in or on the following raw agricultural commodities: Animal feed at 2.0 ppm; beef, meat at 0.01 ppm; cheese, post harvest at 0.5 ppm; cocoa bean, post harvest at 0.8 ppm; coconut, post harvest at 1.0 ppm; coffee, post harvest at 0.8 ppm; cottonseed, post harvest at 0.2 ppm; egg at 0.7 ppm; ginger, post harvest at 0.2 ppm; grain, cereal, forage, fodder and straw group 16, post harvest at 2.0 ppm; grass, forage, fodder and hay group 17, post harvest at 2.0 ppm; ham at 0.01 ppm; herbs and spices group 19, post harvest at 0.3 ppm; milk at 1.5 ppm; nut, pine, post harvest at 3.0 ppm; other processed food at 1.2 ppm; peanut, post-harvest at 0.2 ppm; rice flour, post harvest at 0.08 ppm; and vegetable, legume, group 06, post harvest at 0.02 ppm. If Chinese goods can sale on US markets, that must satisfy above standard. ^[10]

5. CONCLUSION

As growing trade fosters deepening integration of world economy, all WTO members should be subject to WTO rules and agreements. The developed countries have placed technical barriers to trade in front of the exporters to block the products from entering their markets. However the most important issue that China companies face is to find vast arrays of measures to provide a reasonable solution to this problem.

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