

# The Study on the Impact of New Trade Protectionism on China's Exports

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## Abstract

The world is moving towards economic globalization and trade liberalization at present. Traditional trade protectionism used less frequently, whereas new trade protectionism with green barrier and technical barrier to trade is on the rise among some countries, becoming the main body of the current international trade barriers. This paper analyzes the characteristics and types, the reasons of China's new trade protectionism and the total quantity and structure of China's exports, this paper suggests that China should take an active part in regional economic organizations, improve the competitiveness of enterprises and open up emerging markets. This paper provides some suggestions for our country to avoid the harm of new trade protectionism, promoting the optimization of export structure, increasing the total export volume and stabilize the fluctuation of China's economy.

## Keywords

New trade protectionism; The export of China; Non-tariff barriers.

## 1. THE INTRODUCTION

In order to promote the development of international trade, the international community has set up numerous trade rules through many international economic organizations to restrict traditional trade protection measures to promote international trade. However, when countries safeguard their own economic benefits, they will still fall into trade protectionism[1], new trade protectionism was born under this background. The new trade protectionism originated in the 1970s, at that time, the world economy was in a downturn and the growth rate slowed down year after year, the developed countries suffered from financial crises, oil crises, national sovereign debt crises, etc., which forced countries to reconsider economic stimulus and trade protection. The main trade methods of various countries include non-tariff barriers such as technical trade barriers, intellectual property rights, green trade barriers, blue trade barriers and anti-dumping. Through these measures, the employment rate of these countries will be increased, and its advantage in global production will be maintained internationally to achieve economic development. The characteristics of new trade protectionism include: wider scope of protection and more concealed means of protection, etc.

From the perspective of the scope of protection, countries that adopt traditional trade protection measures will focus on their own relatively weak naive industries, while new trade protectionism will also extend to emerging service industries and high-tech fields supported by technology [2].

In the context of the increasingly complete rules of the World Trade Organization, traditional trade protection measures have become more and more difficult to adopt. Therefore, anti-dumping, anti-subsidy and other protective measures are also frequently adopted. In addition to green barriers in the name of protecting the environment, technical trade barriers to improve technical standards, blue barriers to protect labor rights, and policy provisions to protect

national security, and other new trade protection measures have also appeared one after another. They are actually more concealed trade protectionism, which ultimately makes international trade frictions more intense.

## **2. THE TYPES OF NEW TRADE PROTECTIONISM**

### **2.1. Anti-dumping**

Anti-dumping means that in addition to the normal import tax on foreign goods that are dumped, additional dumping tax will also be levied, so that foreign export companies cannot sell at low prices and thus be eliminated by the domestic market. With the rapid development of China's foreign trade, anti-dumping measures against China by major trading partners in the world have become more frequent. From 2000 to 2003, there were an average of 295 anti-dumping cases per year.

Since the reform and opening up, China's international trade status has been improving, China is the largest exporter at present. Unfortunately, China has suffered the most anti-dumping in the world. Anti-dumping products are concentrated in China's comparatively advantageous exports; countries that initiate anti-dumping are no longer limited to developed countries, and more and more developing countries initiate anti-dumping; the amount of money involved in anti-dumping cases is also increasing.

### **2.2. Anti-subsidy**

Anti-subsidy refers to import government levies countervailing duty to foreign export company that have obtained preferential treatment from the export government. The government provides direct or indirect preferential treatment to export companies, making subsidized products in a favorable competitive position compared with similar products that do not enjoy subsidies. As more and more countries recognize China's market economy status, anti-subsidy may become the next trade remedy tool used by other countries such as the United States, the European Union and Japan.

### **2.3. Intellectual Property Protection**

Intellectual property refers to the ownership of the intellectual work of human intellectual labor produced. It is an exclusive right granted to qualified authors, inventors or owners of achievements within a certain period of time in accordance with the laws of various countries. Intellectual property barriers are becoming an emerging and important international trade barrier, which is difficult to circumvent for countries with relatively low scientific research capabilities. China is facing a new period of economic transformation and upgrading, and it urgently needs advanced science and technology to escort China's economic development. However, scientific and technological research and development in developed countries started early, developed countries have achieved monopoly advantages in important and core areas. Developed countries have used their own intellectual property advantages to set up various intellectual property barriers to curb exports and economic transformation and upgrading of China and other countries

### **2.4. Technical Trade Barriers**

Technical trade barriers refer to a country's technical regulations that are inconsistent with other countries to protect national security, human health, animal and plant health, and to regulate exports of foreign products, thereby restricting the import of foreign products into the country. From an economic point of view, technical trade barriers are laws and regulations governing the unified management of imported products in the domestic market, the fundamental reason is the difference in technology [3].

## 2.5. Green Trade Barriers

Green trade barriers refer to restrictions on the import of products that have a negative impact on the environment, animals, plants, and human health and safety, so as to achieve sustained and healthy economic development similar to technical trade barriers. Green trade barriers have been used more and more frequently in the past ten years, among the 4,917 products in the world, the trade volume of 3,746 products affected by green trade barriers reached 4732 billion U.S. dollars.

China is a major exporter of agricultural and sideline products, mechanical and electrical equipment, construction materials, and textile products. However, the overall technological level of China's manufacturing industry is low, and the green standards for products are often ignored. The products produced are more likely to cause harm to the environment, where developed countries have a relatively high level of economic development, and it is easier to meet strict environmental requirements.

## 2.6. Blue Trade Barriers

Blue trade barriers taken under the pretext of the labor environment and the right to subsistence of workers [4]. Labor-intensive companies in China maintain their international competitiveness with low labor-cost, which often conceal social problems such as work hazards, harsh environments, and low wages. At present, there are still the phenomenons of long working hours, low employee benefits, and poor living conditions in part of Chinese clothing and textile industry companies.

## 3. REASONS FOR CHINA'S NEW TRADE PROTECTIONISM

### 3.1. China's Continued Foreign Trade Surplus

The expanding trade surplus of China year by year is one of the reasons why China has suffered the impact of protectionism. China is known as the world's factory. The total volume of goods production and exports has increased year after year, and the goods trade surplus has also expanded year by year. As China's cheap products dominate the global market, the deficit countries believe that a large number of their job opportunities have been snatched away by China, which is the main reason for the rise in their unemployment rate. Therefore, China's trade surplus has brought continuous trade disputes.

**Table 1.** China's trade balance with major trading partners from 2006 to 2013  
(US\$100million)

year	China-japan	China - USA	China-Hong Kong	China - EU	China - ASEAN	China's overall trade balance
2007	-319.33	1632.86	1716.32	1351.49	-142.4	2643.44
2008	-344.68	1710.24	1778.13	1612.68	-26.86	2981.23
2009	-330.47	1432.42	1575.26	1085.11	-4.92	1956.87
2010	-556.93	1811.88	2060.42	1460.65	288.61	1815.1
2011	-462.93	2032.24	2542.91	1454.64	-229.4	1548.98
2012	-262.12	2188.8	3055.51	1223.92	83.63	2303.09
2013	-121.13	2160.64	3682.88	1183.31	444.82	2590.15

Data source: National Bureau of Statistics of China

It can be seen from Table 1 that China's trade balance with major trading partners such as Japan, the United States, Hong Kong, ASEAN, and the EU showed a trend of increasing surplus or decreasing deficit year by year from 2005 to 2013, indicating that China's foreign trade position has become more favorable.

### **3.2. The Quality of Exported Products Is Not Up to Standard**

China is a developing country, and its level of science and technology, environmental protection awareness, and intellectual property awareness are at a lower level than developed countries. Driven by short-term economic interests, part of companies do not pay attention to the technical content, environmental protection and safety behind export products, and ignore the improvement of product quality. China's manufacturing industry is relatively low in terms of environmental friendliness. Facing increasingly higher green standards, especially the steel, textile, building materials, and mechanical and electrical industries, these industries and companies have been severely affected.

### **3.3. Traditional Trade Protection Methods Are Restricted**

After World War II, the General Agreement on Tariffs and Trade was established. Contracting countries have negotiated substantial reductions in tariffs, and the average level of tariffs has been continuously reduced through continuous negotiations between countries. Countries have sneered at simple and rude tariff barriers. Traditional trade protectionism has been unprecedentedly restricted, so the emergence of new trade protectionism is natural.

## **4. THE IMPACT OF NEW TRADE PROTECTIONISM ON CHINA'S EXPORTS**

### **4.1. Optimization of Export Product Structure**

China's foreign trade export products are mainly concentrated in steel, tires, textiles, solar products and other fields [5-6]. The machinery & electronics, steel, chemical, and building materials, which account for more than half of China's total exports, are typical high-input, high-pollution, and high-energy-consuming industries, which definitely pollute the environment. Encountering such trade barriers will also force the optimization of China's export structure.

### **4.2. Fluctuations in Total Exports**

Under the impact of new trade protectionism, China's total exports were first severely affected. After the economic crisis in 2008, the export of Chinese tires was investigated by the U.S. Department of Commerce and imposed a 35% anti-dumping and countervailing duty. China's tire export volume was reduced by 45%, and it spread to the upstream and downstream industries of tires through internal economic links. Business revenues are decreasing, layoffs are increasing, and the scope of the new trade protectionism is very wide.

### **4.3. Exacerbate China's Economic Volatility**

According to the Keynesian analysis of the national income of open economy, the increase or decrease in net exports has an amplifying effect on national incomes. The impact of the new trade protectionism that China is currently experiencing on the total export volume will have a greater impact on the total economic volume of China, such as employment, price fluctuations, financial order, stock market fluctuations and even the effects of China's industrial policies, which will undoubtedly aggravate the instability of China's macro economy.

## 5. CONCLUSIONS

Although China is a world-famous "world factory", the overall level of science and technology does not reach the level of developed countries, it can only rely on China's cheap labor and resources for processing. At present, many developing countries such as India and Thailand are developing rapidly. They also have sufficient and cheaper labor and resources, and the advantages of developing labor-intensive and resource-intensive industries are more obvious. China is about to enter an aging society with insufficient labor supply. The most important point is that labor-intensive products are extremely substitutable. With the global competition of labor-intensive products, China's labor-intensive products have repeatedly encountered trade barriers in international trade. Therefore, the reform of the industrial structure cannot be delayed. High-tech industries are the driving force and direction of world economic development. Chinese companies should increase their investment in R&D basing on their own actual conditions to cultivate high-tech that suits the trend of world economic development.

China's export destinations are decentralized, they are still mainly exported to North America, Europe, and ASEAN regions. The concentration of export destinations will make them feel a greater threat, and China will be vulnerable to attacks from these countries. Therefore, Chinese companies should actively explore emerging markets, such as Africa and South America. They need a lot of imports that China has advantages, and if the export destinations are dispersed, the tax risk will be reduced.

Chinese companies must implement the "going global" development strategy, like developing direct foreign investment(FDI), and participating in direct competition for international funds. In order to effectively avoid a series of foreign trade risks. At the same time, FDI can also help reduce the current account surplus, stabilize exchange rate fluctuations, and maintain the stable operation of the domestic economy. Chinese companies should vigorously develop FDI, establish multinational companies, and actively participate in international division of labor and market competition.

The importing country's trade protection for a certain industry in its own country restricts not only the few companies that compete with it, but the entire industry of the exporting country. Therefore, enterprises within the industry should unite and take collective actions to safeguard the interests of the industry and individuals.

Regional economic integration is a new trend in world economic development today. Strengthening the liberalization of investment and trade within regional economic and trade groups, forming a new international division of labor and specialized production and trade, will have a huge role in promoting regional economic growth. China is currently facing many threats of trade protectionism, so it should actively participate in the establishment of international economic organizations at the macro level, and use the effect of customs union to reduce the harm caused by new trade protectionism.

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