

# Study on Trade Protection of Xinjiang in International Trade

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**Received** December 19, 2023; **Revised** August 22, 2024; **Accepted** August 30, 2024

## Abstract

The COVID-19 epidemic in 2020 has affected the economies of various countries. The problem of anti-globalization has intensified under the background of the epidemic. International trade protection behaviors are also increasing, and more and more countries and cities are affected by trade barriers. Epidemic prevention and control, ensuring national security, and maintaining a new trade environment have become trade barriers—breeding excuses. The main reason is that the complex form of the epidemic has led to stricter trade barriers. From a provincial perspective, the epidemic has impacted the internal and external environment of Xinjiang, China's future development, studied the trade protection received by Xinjiang and provided practical guidance for Xinjiang's better participation in international trade.

**Keywords:** Trade Protection; COVID-19 Pandemic; Trade Barriers

## Introduction

Xinjiang is adjacent to five Central Asian countries and shares borders with the territories of eight countries. It possesses unique geographical advantages, serving as the forefront and hub for China's strategy of opening up along its border and expanding westward. Additionally, it is a pivotal point where the northern, central, and southern routes of the Silk Road converge, serving as both a destination and starting point. Xinjiang is also a core node city for the Asia-Pacific and the European Union economic zones, functioning as a central transportation hub. The changes in the international order caused by the COVID-19 pandemic have posed significant obstacles to Xinjiang's economic and social development, with overseas forces accelerating the propaganda and agitation surrounding the so-called "Xinjiang issue". In addition to traditional issues such as "human rights", "ethnicity", "religion", "counter-terrorism", and "radicalization", new issues such as "population" are emphasized. The so-called "Xinjiang issue" propagated by the United States and the West seriously disrupts Xinjiang's economic and social development, hindering the modernization of social governance in the region. The development prospects of Xinjiang are inseparable from international cooperation. In the process of jointly building the core area of the Silk Road Economic Belt, cooperation between Xinjiang and the countries along the route is becoming increasingly close. Due to the impact of the COVID-19 pandemic in 2020, economic and trade cooperation between Xinjiang and Central Asian countries significantly decreased, and trade protectionism had a severe impact.

Current research on trade barriers is concentrated at the national level, analyzing the impact of trade barriers on bilateral trade between China and South Korea, China and Russia, China and Japan, etc. More literature from the provincial level needs to be devoted to the impact of trade protectionism on bilateral trade. This paper, based on the backdrop of the COVID-19 pandemic, takes Xinjiang and its neighboring countries' export trade as an example. It seeks cases affected by trade barriers and discovers that trade barriers provide a reliable basis for restraining Xinjiang's development in international trade.

## Current Research Status

Chinese scholar Ma Lingxiang (2021) researched the development trends of international trade barriers and China's countermeasures based on the globalization context. New features of trade patterns were identified, and countermeasures for their causes were proposed, enriching the study of international trade barriers. Chinese scholar Dou Rui (2020), in the context of the "Belt and Road" initiative (a new Silk Road strategy promoted by China), analyzed the impact of green trade barriers on Xinjiang's exports. An empirical analysis indicated that the stronger the green trade barriers in various countries, the more unfavorable it is for Xinjiang's exports, leading to greater export resistance faced by Xinjiang. Li Dongmei and Qi Chunjie (2019), using the example of Xinjiang's melon and fruit exports at the provincial level, applied gravity models to empirically analyze the impact of green trade barriers on Xinjiang's melon and fruit exports. The results showed a significant inhibitory effect of green trade barriers on Xinjiang's melon and fruit exports. From a more specific perspective, Rehemila Rejep (2017) studied intellectual property protection in Xinjiang's border trade, providing more favorable support points for Xinjiang's participation in international trade. Zhang Shuijing (2017) discussed Xinjiang's challenges in dealing with technical trade barriers. The trade static protection role of technical trade barriers is highly concealed, making it one of the most effective methods for developed countries to restrict the import of goods produced by other countries. Several years ago, Huang Baolian (2007)

conducted a strategic study on strengthening Xinjiang's foreign trade in agricultural products. Expanding Xinjiang's foreign trade in agricultural products has strong practical significance, indicating that trade barriers have always existed and have consistently influenced Xinjiang's participation in international trade processes.

Zhang Baozhen (1996) and Wang Qizhong (2003) focused on the connotation, characteristics, and manifestations of green trade barriers. Subsequently, Wei Xiaohong (2011) and Xu Jun (2002) delved deeper into the detailed classification of the connotation of green trade barriers, categorizing them into technical standards, environmental labeling systems, green packaging, and labeling systems. Alternatively, they classified them as green technological barriers, social responsibility barriers, and regional barriers. Feng Shuangsheng and Sun Xiuying (2007) studied the impact of green trade barriers from the perspectives of nature and classification.

## **Important Concepts and Theoretical Foundation**

### **1. The Theoretical Foundation of Trade Protection**

Trade protectionism refers to controlling imported goods in foreign trade to ensure that domestic products are not disturbed by competition and foreign market conditions. It aims to create various advantages for domestic products to enhance their competitiveness abroad. Protectionist countries generally adopt two strategies for controlling imported goods: tariff and non-tariff barriers. The former involves imposing high import tariffs to restrain the large-scale entry of foreign products. The latter includes implementing systems such as import licenses and import quotas to control the autonomous importation of foreign products.

Trade protection generally aims to safeguard domestic and foreign markets and further promote the development of social production capacity. This differs from the protectionist goals of the early mercantilist period, which aimed to accumulate wealth in gold and silver. The primary goal of advocating trade protection in this era is to increase the production efficiency of wealth creation. The methods used generally involve export subsidies, import tariffs, and import quotas. Governments worldwide widely use various import control measures to safeguard their domestic markets from the impact of foreign competition, favor and compensate their domestic products, and promote exports.

The key objects of protection in trade protectionist policies are industries that are of certain importance to China's independent and autonomous economic and social development. List argued that manufacturing is the most crucial among all industries in a country. He believed that protecting industries is necessary for relatively immature but promising industries. These industries require significant investment during their development and produce essential goods for human life.

### **2. The Conceptual Definition of Trade Protection**

Trade protectionism refers to the international trade ideology and strategy in which the government uses the tariff system and various non-tariff barriers to restrict imported goods, ensuring fair competition between domestic and foreign products. Important means of ensuring foreign trade include tariffs, import quotas, foreign exchange controls, complex import and export procedures, and discriminatory government procurement measures.

### **3. Forms of Trade Protection**

#### **3.1 Green Trade Barriers**

With the acceleration of industrialization, ecological environmental issues such as pollution, greenhouse effects, toxic waste pollution, extinction of species, and depletion of natural resources have gained global attention. Developed countries often use ecological and environmental protection as an excuse, taking advantage of their absolute control in economics

and technology to enact strict environmental policies and quality standards exceeding their technological standards. As a prerequisite for entering the market economy, this achieves absolute protection of the government's market and industry, thereby constructing green barriers. The main forms include:

**Green Labels:** Also known as the green or high environmental labeling system, it is a mechanism where qualified environmental accreditation organizations determine products according to so-called green criteria and grant logos and certifications. However, due to differences in environmental standards, developed countries often set high environmental standards, putting regions with technological disadvantages at a significant disadvantage. This objectively sets up market trade barriers in developed regions and violates the basic principles of fair international trade.

**Green Packaging:** Various packaging materials that do not match the national environmental requirements can cause significant pollution. Therefore, many countries have legislated mandatory regulations on the health and safety of packaging materials for domestic and imported goods. Some countries have also established new industry chains through industry restructuring and resource reconfiguration to meet the packaging material requirements for environmental protection, driving national economic development. However, developing countries need to catch up in production technology, prices, government management, etc., causing green packaging materials to gradually form green barriers to entering the markets of developed countries.

**Environmental Production Costs:** New trade protectionists argue that all goods must consider environmental and resource costs and be measured according to each country's environmental standards. Ignoring high environmental quality or low environmental standards, exported goods will have unequal competitive advantages or environmental compensation. For developed countries, this involves carefully designing and constructing green barriers.

### **3.2 New Technical Trade Barriers**

Advancements in technology and levels have made technical specifications, criteria, suitability assessment procedures, and economic development more scientifically sound for products worldwide. However, the complex names, complications, strong subjectivity, purpose, and severity of mechanisms such as technology standards, specifications, qualification assessment processes, related verification standards, review processes, and certification and appraisal in terms of technology and advantages in a socialist market economy and technological advantages have posed significant obstacles to the production and service activities of relevant countries. Market access issues mainly manifest in the establishment of rigorous and strict technical standards, criteria, and qualification assessment processes related to the reasonable use, hygiene, safety, or health of goods. Chinese companies have overcome this technical barrier, but it has come at a considerable economic cost.

**Certification System, Accreditation System:** The certification and accreditation system refers to the system that recognizes or licenses related goods according to technical specifications, criteria, and qualified evaluation procedures. Unlike trade policies, it requires a rich academic background, strong government policy support, a broad social foundation, and related ideological, legal, and regulatory systems. The certification and accreditation system has more general social adaptability and equal opportunities. However, all the benefits this policy can provide are only obtained from developed countries and local governments that have reached the same economic and social development level. Goods and services not certified and verified will be excluded from the international market, effectively forming market access barriers and intensifying protectionist tendencies, further harming the economy.

#### **4 Characteristics of Trade Protection**

Trade protectionist policies exhibit the following characteristics: The main protective measures shift from tariffs to non-tariff measures. Resolutions arising from many trade conferences and international tariff negotiations have reduced tariff objectives. At the same time, countries have implemented protective measures using non-tariff barriers, thus strengthening protectionist policy measures. The focus of protectionist measures on industrial products has increased, such as lowering and mitigating restrictions on industrial products, while protectionist measures for agricultural products have not relaxed. There are significant differences in restrictions on other products among industrial products. The boundaries between countries and regions implementing protectionist strategies have also strengthened. Typically, a country will strengthen protectionist strategies against its most direct and potent competitors while appropriately relaxing them against another country. Most developed countries today hope to implement both free trade and protectionist measures according to their conditions and the situation of their competitors to maintain continuous economic growth and enhance their international competitiveness.

**New Features of Trade Protectionism:** International trade barriers and incidents have sharply increased, with an average of over 260 incidents yearly since the 1990s. International trade obstruction incidents have become a global phenomenon in developed countries and governments and regions in developing countries that frequently take anti-dumping measures to protect their domestic enterprises. The thresholds for technical trade barriers are also increasing, with countries worldwide adding more quality standards and import requirements. Some developed countries are arbitrarily abusing international trade barriers, increasing the complexity of incidents.

### **In the context of international trade, Xinjiang faces trade protection**

#### **1. Export Situation of Xinjiang**

According to the data from the Urumqi Customs, the total import and export volume of Urumqi in 2021 was approximately KRW 1569.1 billion, with a year-on-year growth of 5.8%, achieving a good start for the "14th Five-Year Plan".

Considering trading partners, the market concentration is relatively high, aligning with China's continuously implemented "Belt and Road" strategy. Last year, Xinjiang, China, had trade relations with 176 countries and regions. The volume of foreign trade with Kazakhstan, Kyrgyzstan, and Tajikistan accounted for 69.9% of Xinjiang's total foreign trade during the same period.

Looking at the foreign trade entities, private enterprises maintain their position as the largest market entity in foreign trade, with a total import and export trade volume of KRW 1354.8 billion, a year-on-year increase of 16.7%, accounting for 86.3%. State-owned enterprises and foreign direct investment companies had import and export trade volumes of KRW 206.3 billion and 7.3 billion, respectively.

Examining the trade modes, the trade structure is more diverse, with both traditional and emerging trades thriving. Last year, border small-scale trade reached KRW 833.3 billion, accounting for 53.1%. Exceptionally, cross-border e-commerce maintained rapid growth, achieving CNY 43.9 billion, a YoY increase of 437.8%. It expanded from the initial single retail general export mode to various modes such as bonded import, enterprise-to-enterprise export, and overseas warehouse export. The types and scale of cross-border e-commerce businesses continue to expand.

Regarding the types of goods, the variety of imported and exported goods is relatively singular, with strong complementarity with neighboring countries. Last year, labor-intensive



exports, such as clothing and shoes from Xinjiang, amounted to KRW 654.7 billion, a YoY increase of 30.5%, accounting for 51.4%. The total export of electromechanical products was CNY 360.2 billion, a YoY increase of 3%.

Examining the transportation modes, road transport still plays a major role in Xinjiang's foreign trade. Among them, road transport accounted for CNY 635.3 billion in imports and exports, a YoY increase of 63.7%, accounting for 40.5%. Railway transport was CNY 520.3 billion, a YoY increase of 1.3%, accounting for 33.2%. Air transport was CNY 31.4 billion, a YoY increase of 15.7%, accounting for 2%.

## **2. Impact of Green Trade Barriers on Xinjiang's Participation in International Trade**

The emergence of green trade barriers essentially refers to developed countries' governments leveraging environmental protection as a pretext, relying on technology and environmental levels, and using legislative means to enact stricter restrictive technical standards and environmental standards to practice the essence of their trade protectionism, selectively ignoring certain products from developed countries. 1. Impact of Green Trade Barriers on the Export of Korla Pears.

### **2.1 Customs Clearance Hindered**

The growth rate of Korla pear exports has been relatively slow in recent years. On the one hand, domestic market demand in China has increased significantly. On the other hand, the green trade barriers of importing countries for pears have gradually strengthened, leaving exporters at a loss. Pears fail to meet the standards, and export procedures are complex and changeable, causing substantial losses to fruit farmers and exporters. At the end of the year, Korla pears exported to Canada were found with snails and pear small heartworms, prompting the Xinjiang Entry-Exit Inspection and Quarantine Bureau to immediately order the suspension of Korla pear enterprises' exports and rectify Korla pear processing plants. After two months, the standards were met, and exports resumed.

### **2.2 Increased Export**

Costs To meet the importing country's standards means higher costs for Korla pear exporters. The higher the standard, the higher the cost, inevitably reducing the competitiveness of Korla pear export products. The EU is a major consumer of pear products, but pear products are not competitive in the EU. Because of the annual export of pears, the cleaning and special quarantine fees for pears are equal to the pears' value. These additional expenses are a considerable cost for fruit farmers and exporters. These costs exacerbate the cost of pears, reducing their competitiveness in terms of cost.

### **2.3 High Market Entry Standards**

Each country has completely strict regulations on the market entry of fruit imports. Not only control the inspection and quarantine system for fruits but also carefully monitor the fruit-producing areas' lighting, soil, and rain conditions. At the same time, after fruits are harvested, they must undergo processes such as cleaning, disinfection, packaging, and transportation, which must comply with the strict system of the importing country. However, Korla pear producers and exporters must be fully prepared to cope with strict market entry regulations. It is challenging for Korla Pears to explore new markets.

## **3. Impact of New Technical Trade Barriers on Xinjiang's Participation in International Trade**

### **3.1 Impact of Technical Trade Barriers on Xinjiang TBEA Company**

Increased Costs, Export Obstructed: Until 2011, the Central Asian market, especially Russia, had consistently been one of TBEA's primary export target markets. Due to the establishment of high-tech trade barriers by the Eurasian Economic Union, Xinjiang TBEA's

product exports faced successive obstacles from Russia and Central Asian countries. Certification for TBEA's exported products, such as transformer new materials, incurred high certification fees and involved complicated certification procedures. Additionally, the export of TBEA's new energy and mechanical components was hindered because their intellectual property needed to meet the standards of the Eurasian Economic Union. The novel trade barriers in the Central Asian machinery product market have slowed TBEA's export volume.

### **3.2 Raising Market Entry Standards**

Similarly, before 2011, TBEA's electrical engineering products attempted to enter the U.S. photovoltaic market. The main reason was that the United States relied on authoritative certification organizations like UL, established technological standards, and intellectual property collaboration-oriented new technical trade barriers, increasing market entry barriers. Xinjiang TBEA had yet to prepare for this adequately, and domestic market standards in China set many intellectual property standards, creating a significant gap with U.S. intellectual property standards. TBEA often faced obstacles when entering the U.S. market. "Shame serves as courage". Xinjiang TBEA intensified its research efforts, relying on industry-academia collaboration, gradually improving the quality of its intellectual property. As of October 2016, Xinjiang TBEA filed 1,393 patent applications, with 337 patent applications and 114 valid invention patents. It participated in the formulation of nearly 100 national and industry standards. Through the joint deployment and use of proprietary patents and its standards, Xinjiang TBEA obtained international recognition certificates by successfully passing the U.S. UL certification. This signifies that TBEA Limited's proprietary components have finally obtained the pass to enter the U.S. photovoltaic market.

## **4. Xinjiang's Strategies for Dealing with Trade Protectionism in International Trade**

### **1. Research Recommendations on Dealing with Green Trade Barriers**

#### **1.1 Strengthening Publicity and Education to Raise Environmental Awareness**

The global trend in current development is towards environmental economics. With the rise of sustainable development and the growing awareness of environmental protection and green business, the demand for environmentally friendly products is increasing. Green and ecological products are expected to dominate future product production. In international trade, environmental protection measures as the basic criteria and objectives of trade have gained more consumer support and favor. The proportion of green ecological products in the composition of traded products will continue to increase. Green barriers will become a major part of non-tariff barriers in trade and play an increasingly crucial role. Therefore, it is necessary to strengthen education through various channels to enhance the environmental awareness of businesses and consumers, thereby promoting the development of green ecological products and lifestyles. The greening of economic and trade awareness must permeate people's production and life. Establishing a green economic and trade system, making green economic and trade thinking the fundamental approach and basic criterion for developing global domestic trade, is essential to adapt to the global greening trend.

#### **1.2 Vigorously Implementing Environmental Standards and Eco-Certification**

The ISO 14000 system, developed by the International Organization for Standardization (ISO) for the global environmental management system, is standardized. It was drafted by the ISO Technical Committee on Environmental Management Systems (TC207), a specialized institution. By March 2000, fifteen standards had been officially established, covering aspects such as enterprise environmental strategies, planning, execution and operation, quality inspection and improvement, environmental management system review, etc. It guides environmental regulations for the entire process, including product design, raw

material selection, manufacturing processes, and waste emissions. The purpose is to standardize the environment in companies' and other institutions' products, business, and activity processes. The ISO 14000 series standards are mainly based on the environmental experiences of developed countries and are currently widely accepted by most developed countries globally. Therefore, obtaining the ISO 14000 certificate is equivalent to obtaining a “green passport” to enter the international market. The ISO 14000 certificate not only enables products to overcome green trade barriers but also brings a good green environment to the company, enhancing the overall strength of the company.

## **2. Measures and Recommendations to Address Technical Trade Barriers**

### **1. Strengthening Intellectual Property Awareness**

Xinjiang enterprises facing new technical trade barriers have exposed another “weakness”: a weak awareness of intellectual property, with insufficient emphasis on intellectual property protection and subsequent maintenance. Some enterprises have low-quality patent applications, and many loopholes in the protection scope of patent rights make them passive when facing new technical trade barriers. Therefore, Xinjiang should strive to eliminate “zero-patent” enterprises and increase the number of patent applications and licenses for enterprises. On the other hand, Xinjiang enterprises should consciously optimize their patent structure, forming a strategic system with basic patents at its core and occupying a technological and patent high ground globally. In addition, Xinjiang enterprises should attach great importance to patent protection. Whether it is an invisible enterprise or an export-oriented enterprise, new technology research and creative work should promptly submit patent applications, submit international PCT patent applications to countries and regions to be exported, or submit patent portfolio applications to market countries and regions, providing Xinjiang enterprises with a tight and comprehensive patent protection network, forging “attack windows” and “defense shields” to break through new trade barriers.

### **2. Building a Collaborative Innovation Model between Industry, Academia, and Research**

Companies in the Xinjiang region should collaborate on technology patents with universities and small and medium-sized enterprises in surrounding areas and emphasize cooperation between companies and Xinjiang regional universities to form a collaborative innovation network for industry, academia, and research. The specific implementation approach is: “The company needs – the company provides research and development funding to universities – universities conduct research and development practical activities – universities and enterprises collaborate to apply for invention patents – the company carries out the transfer and use of invention patents”. The above joint innovation model of production, research, and study takes the company's needs as the starting point, with the company proposing corresponding financial support, joint technological innovation between the company and universities, and finally, the company transforms the corresponding patents into commodities. This model, starting with the company's needs and closely related to the current market, makes it easier for applied patent technology to be effectively applied to products, thereby significantly improving the innovation conversion rate of Xinjiang enterprises. Xinjiang enterprises with high-quality patent technology need not fear new technical trade barriers.



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