

# The Impact of Green Trade Barriers on Chinese Textile Enterprises and Legal Countermeasures

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## Abstract:

This study takes “the impact of green trade barriers on Chinese textile enterprises and legal countermeasures” as the research theme. The purpose is to deeply analyze the deep reasons and specific impacts of green trade barriers on Chinese textile enterprises, and explore effective legal responses. Through the collection and analysis of relevant data, literature and academic research and other research methods, the textile enterprises in the industrial chain, scale, sub-industry and the nature of the enterprise (state-owned and non-state-owned) and other aspects of the differences between the targeted in-depth analysis. The final conclusion points out that, from the perspectives of the government, enterprises and industry associations, differentiated countermeasures should be taken according to the characteristics of different enterprises, such as improving the green tax system, sounding the ESG disclosure and evaluation system, and strengthening the learning of international rules on green trade barriers, in order to enhance the competitiveness of enterprises and better cope with the challenges posed by green trade barriers.

**Keywords:** Green trade barriers, textile industry, state-owned and non-state-owned enterprises, ESG, information asymmetry

## 1. Introduction

Green trade barriers, as a national policy tool, are designed to safeguard the health and ecological security of domestic populations. The core mechanism is the establishment and enforcement of a series of high-standard rules and regulations for imported products, which often focus on environmental protec-

tion, resource consumption and the ecological impact of the production process. According to data, textiles and apparel dominate China’s exports and are a key driver of the country’s foreign exchange earnings growth and capital accumulation. Nowadays, China’s total textile exports in the global textile exports in the proportion of the total continued to grow, the huge textile import and export trade surplus has become

China's foreign exchange earnings and capital accumulation of the key driving force. This study focuses on the impact of green trade barriers on China's textile industry and legal countermeasures. In the elaboration of green trade barriers to China's textile industry, such as export obstruction, cost increase and other aspects of the impact of the basis, innovative based on the textile enterprises in the industrial chain links, size, subsectors, and the nature of the enterprise (state-owned and non-state-owned) and other aspects of the differences in targeted in-depth analysis. Through this differentiated analysis, the specific dilemmas and challenges faced by different types of textile enterprises are clarified, and on this basis, practical legal countermeasures and solutions are proposed, aiming at assisting China's textile industry to effectively deal with green trade barriers, realize sustainable development and enhance international competitiveness.

## 2. Literature review

Since 2001, China has been subjected to a total of 1,926 trade relief cases, of which 175 cases involved the textile industry, the fourth industry involved, accounting for 9.1% of all relief cases. In the early 1990s, Austria, as a pioneer, set up a benchmark in the field of environmentally friendly development, and many countries around the globe have subsequently formulated and enforced a series of environmental protection policies, regulations and standards designed to The health and safety testing of textiles entering the market. After years of evolution, corresponding policies and measures have been formulated around the world for Chinese textiles. The apparel export industry has established a regular trade defense mechanism [1-2]. Currently, based on the situation of more than 100 cases of relief cases of investigative activities mainly from economically developed countries, these countries usually show a high level of economic development, the establishment and implementation of its environmental protection standards with foresight, has built up a comprehensive and systematic standards system. And the establishment of testing organizations to meet the requirements of the norms, aimed at protecting the local market and reducing foreign competition for domestic exports [3].

Zhang Xiaojuan and others from a legal point of view, put forward the current Chinese textile industry across the green trade barriers should first consciously comply with green trade regulations, reduce the impact of trade barriers, and secondly, should be extensive international cooperation, proactive response to the green trade barriers, and the use of trade dispute settlement mechanism, to safeguard their legitimate rights and interests [4].

Zuyi believes that the government should formulate and

improve the relevant laws and regulations, enterprises should change the traditional concepts and enhance the green awareness, the government should strengthen the publicity and supervision, enterprises should strengthen their own construction, and actively develop green marketing, enterprises should actively develop green products, and strive to improve the technological content of products [5].

Gao Lin and others proposed the establishment of a perfect green barriers early warning mechanism, sound domestic textile production legislation and standards, at the same time, textile enterprises should strengthen technological innovation, improve the scientific and technological content of export products, and the flexible use of the WTO dispute settlement mechanism to deal with green barriers [6].

Xue Zhisheng and others proposed that a legal mechanism of ex ante prevention, ex post monitoring and ex post relief should be established to mitigate the negative impact of green trade barriers on China's textile industry [7].

All of them are feasible, but there is a lack of targeted measures to address the differences and disparities among enterprises in the textile industry as a whole.

## 3. Legal deficiencies in the green trade barrier system for textiles

### 3.1 Legal deficiencies in the green technology standards system

The current legal system on technical standards is mainly constructed by the Standardization Law and related implementing regulations, which are designed to serve production activities. However, this production-centered model of standards legislation has been difficult to meet the needs of China's rapidly growing foreign trade. Currently, several sovereign countries have internalized the ISO14000 series of standards as part of their legal frameworks, and China has also begun to adopt this standard since 1997, however, its nature is recommendatory rather than mandatory regulations, and therefore not legally binding [8].

### 3.2 Green product certification system

There is a significant disconnect between the goals set by the current certification and labeling system for environmental protection products in China and the reality of social utility, and the challenges of multiple labels, duplication of certifications, decentralized governance, and uneven quality of certifications have gradually emerged in the implementation process, with various types of certi-

fications constraining each other and failing to build up a coherent, harmonized, and efficient integration of the certification and labeling mechanism. In view of the lack of adequate standardization and management of certification bodies, the quality of service of different environmental certification enterprises shows significant differences, which in turn triggers the phenomenon of an excessive number of certification bodies in specific areas. This leads to some of the certification mark of the market acceptance is not high, facing a high risk of failure [9].

### 3.3 Green subsidy system

From a legislative perspective, the current concept of environmental legislation appears relatively outdated. In addition, there are ambiguities in the environmental protection legal system, which lacks clear definitions or guiding provisions for green subsidies. At the same time, the frequency of revision of environmental protection laws and regulations is relatively low, and low-frequency updating of legislation has led to a serious disconnect between legal provisions and the reality.

From a policy perspective, firstly, China has deficiencies in the management of environmental standards: lagging behind in the updating of laws and regulations, emphasis on formulation rather than implementation, lack of technical support, inadequate correction mechanisms, and low social participation. Second, at the public policy level, the current focus of public policy in China has not yet shifted significantly towards environmental protection, given that most subsidy policies are implemented as policy instruments. Once again, the allocation of targeted subsidies is significantly greater than that of non-targeted subsidies.

From an enterprise perspective, first, the industrial structure of China's textile industry is characterized by high energy consumption and high environmental pollution, with obvious structural imbalances in the industry and relatively lagging progress in industrial upgrading. Enterprises in the domestic textile industry tend to prioritize the pursuit of economic efficiency. Secondly, the guilds and chambers of commerce in China's textile industry have failed to realize synergies, and there is insufficient integration within the industry. At the same time, China's textile enterprises lack an information-sharing mechanism with the government and fail to establish an effective synergistic cooperation model, thus failing to form a synergy in external competition [10].

## 4. Why green trade barriers affect textile enterprises

In the face of the accelerated development of globaliza-

tion and the international community's general attention to environmental protection and safety, China's textile products, the main trade target countries have constructed a more stringent, higher standards of green trade barriers system, seriously restricting China's textile products market access and the scope of the export market, and at the same time facing the increase in the cost of exporting, China's textile products in the international market price competitiveness has been seriously weakened.

### 4.1 Information asymmetry

Given that the technical requirements for eco-textiles currently implemented in China belong to the recommended national standards, certain textile export enterprises mistakenly believe that they can freely choose to comply with them, and that there is a lack of attention to eco-labeling in the European region, leading to a limited awareness of eco-textiles. Certain enterprises are limited to the pursuit of the so-called "green" at the end-product level, and do not deeply understand the significance of the comprehensive ecosystem of the EU eco-label. At present, China's textile exports have many complex intermediate links from design, production to final delivery to consumers, which makes the link between exporters and end consumers weak, thus affecting the timely adjustment and optimization of export strategies.

In the context of international trade, the establishment of green barriers involves the formulation of diversified technical guidelines, norms and certification procedures, which are not only promulgated by the central government, but also by local administrative agencies and even unofficial groups with the authority to formulate rules. The technical regulations, standards and conformity assessment processes of various countries show a certain degree of variability. At present, Chinese textile manufacturing and processing enterprises generally lack the support of professional organizations in the research of green trade barriers, have limited knowledge of the many restrictive measures implemented by importing countries, and are less capable of obtaining relevant data.

The middle stage of the textile production process is the part of the whole production process with the most procedures and the most significant environmental pollution. The information inequality at the objective level is mainly reflected in two aspects: first, the information inequality generated in the process of technological progress. In order to enhance the textile performance of yarns, various chemical substances are added to the starch sizing process, mercerization process, finishing and other stages, and these complex chemical substances may not only have a negative impact on the environment, but also pose

a potential threat to human health. At present, China's research in the field of eco-textile high technology is still in the stage of preliminary exploration, and the gap between it and its practical application is remarkable, especially in the information asymmetry of technological development. Secondly, the information inequality caused by the dynamic change of green barriers, Oeko-Tex Standard 200 specifies more detailed and extensive restrictions on textile products. Limited by the level of domestic production technology and testing facilities, it is currently difficult for us to achieve a high level of precision.

Subjective information asymmetry is mainly reflected in two aspects: firstly, the relevant enterprises do not understand the connotation of green textiles. Many domestic textile manufacturers are often confused by the harsh standards of EU eco-labeling and its comprehensive ecological concept. The second is the artificial information barriers. At present, the scale of dyestuffs and finishing aids manufacturers in China is generally small, and the industry has the phenomenon of uneven quality, good and bad enterprises, and counterfeit green dyestuffs are common in the market, which leads to information inequality between participants at different stages of the green textile production chain, i.e., information asymmetry between the pre-production link and the post-production link.

Given that green textile packaging standards are based on specific factors such as endogenous resource conditions and consumer preferences in developed countries, exporters are required to follow the regulations of importing countries and to use environmentally friendly packaging materials that can be easily recycled or are readily biodegradable. Due to barriers to information flow and related reasons, green textile producers encounter the problem of inadequate information, leading to a general lack of understanding of the relevant policy regulations. Given China's relative lag in green technology, the use of non-recyclable or toxic plastic bags as textile packaging is still common, as well as the customary use of flat lead wires for connecting and fixing cardboard boxes. Packaging materials and packaging technologies are challenged to meet specific needs [11].

Given the relative lag in the development of toxicological and environmental pollutant testing of textiles in China, it is impossible to obtain the key quality indicator of pollution residues in textiles by means of visual observation. As a result, this data becomes the exclusive information of the manufacturer. In the absence of reliable quality assurance, it is difficult for consumers to recognize the difference between eco-textiles and non-eco textiles. Consumers, who are at an information disadvantage, are only willing to pay the price for ordinary textiles whose pollution residues are close to the average value. In the end, the

market is dominated by non-ecological textiles, and ecological textiles are faced with the dilemma of being poorly marketed.

In terms of waste disposal, Chinese consumers are still in the early stages of green consumption awareness, and recycling and resource utilization of waste is not yet widely spread, leaving a significant gap with developed countries.

#### **4.2 Differences between State-owned and non-State-owned enterprises**

Given the dual factors of inefficient production management and poor adaptability to profit fluctuations, SOEs exhibit significant lags in information collection, slow responses to problems, and slow adjustments in product strategy when faced with changes in the market environment. State policies often play a central role in SOEs' innovation strategies, driving them to adopt decisions with a long-term orientation, so that a single adjustment to the rules of the external environment is unlikely to trigger a significant strategic shift. The combination of the two results in SOEs being at a disadvantage in the face of technical barriers to trade, and often adopting practices that reduce exports and avoid drastic adjustments to their green technology strategies in order to minimize risk [12-13].

In contrast, non-state-owned enterprises show higher efficiency in decision-making and implementation, and are able to quickly capture and respond to information related to green trade barriers, seeking to maintain their market competitiveness and market share through timely adjustment strategies. Therefore, they are more inclined to take proactive measures to deal with the challenge of green trade barriers. In contrast, NSOEs usually face more significant financing limitations and constraints, in which case they face greater challenges in maintaining and advancing green technological innovation activities when encountering financial liquidity problems. The relatively weak financial base of non-State-owned enterprises makes it possible that, under the pressure of financial shortfalls, they may be forced to abandon ongoing green technology projects, thereby increasing the risk of stagnation or regression in the area of green innovation.

#### **4.3 Monopolization by some leading textile companies**

Green trade barriers to the cotton textile industry restrictions caused by the industry appeared a few large capacity "leading" enterprises, the market to form a relative monopoly. China's cotton textile production capacity after the expansion in recent years has appeared the beginnings of a surplus, and even some improper means of competi-

tion by the local protection, reducing the competitiveness of the industry as a whole.

#### 4.4 Inadequate green guarantee system

In the production and distribution chain of China's textile industry, raw material suppliers, manufacturers, logistics service providers, distributors, retailers and end-consumers together form an extensive supply and demand network and a long supply chain system. The construction and maintenance of this complex network not only requires a high degree of collaboration and coordination, but also faces enormous management challenges, especially at the level of laws and regulations where gaps or inadequacies may exist. In the different stages of the textile industry chain, including the key steps of raw material supply, spinning, weaving, dyeing and finishing and post-processing, the spinning and dyeing processes are particularly notable due to their highly technical thresholds. Currently, national standards quality and technology regulators have adjusted most mandatory standards to recommended standards, a strategy that may have a negative impact on improving the overall level of standards.

### 5. Improvement of countermeasures against the negative impact of green trade barriers on textile enterprises

#### 5.1 Government perspective

Most textile enterprises in China are small and medium-sized enterprises (SMEs), which are at a disadvantage in the competitive market environment compared to large enterprises, but SMEs play a key role in promoting employment growth, fostering technological innovation and safeguarding the country's economic stability. Given their importance, targeted and special policy measures should be taken to achieve their effective protection and support.

① Financial and tax support. First of all, governments at all levels set up special funds within their respective fiscal budgets to support the growth and development of MSMEs based on specific circumstances. For MSMEs in the textile industry, the development of special funds is mainly through the provision of subsidies, procurement services and incentives to focus resources on building and improving the financing service system. Secondly, tax strategies aimed at promoting the growth of MSMEs should be implemented, including the provision of concessions such as deferred, reduced or exempted corporate income tax and value-added tax for eligible enterprises, and the simplification of the tax administration process in order to effectively reduce the tax burden.

② Financing promotion. First, the People's Bank of China should use diversified monetary policy tools to encourage and guide financial institutions to increase credit support for small and micro enterprises. Secondly, the Banking Supervision and Administration Bureau of the State Council should pay special attention to the financial services provided by financial institutions to small and micro-enterprises, and encourage financial institutions to expand credit investment in small, medium and micro-enterprises through the implementation of differentiated supervisory strategies, including moderately increasing the tolerance level of small and micro-enterprises' non-performing loans and other flexible measures. Third, State policy financial institutions should actively provide comprehensive financial services to MSMEs through diversification within their service scope. Fourthly, the State should be committed to building a capital market system with distinct levels and complementary functions, actively promoting the equity financing model through diversified channels, while steadily promoting the healthy development and standardized operation of the bond market, so as to promote the flexible use of multiple channels for direct financing by MSMEs.

③ Improve the ESG disclosure and evaluation system, vigorously promote the ESG concept, and push SOEs to lead the ESG field. Focusing on the scope and content of disclosure, evaluation index system and evaluation methods, a set of corporate ESG evaluation system in line with China's national conditions should be constructed in order to promote the fulfillment of corporate social responsibility and improve their performance in environmental, social and governance aspects. State-owned enterprises (SOEs) play a leading role and pay attention to cultivating the awareness of non-SOEs in ESG disclosure.

④ Protection of rights and interests. First of all, government departments responsible for the development of SMEs in the textile industry need to set up an exclusive communication platform to actively collect and listen to the opinions and suggestions of these enterprises, so as to ensure that the needs of enterprises can be accurately grasped in the process of policy formulation and implementation. At the same time, the collected opinions should be quickly fed back to the relevant departments to promote the implementation of targeted improvement measures. Secondly, government departments should strictly follow the law when supervising and inspecting MSMEs to ensure that the process is fair and transparent, and should implement a random sampling system to improve supervisory efficiency and reduce unnecessary interference. In addition, in order to improve efficiency and minimize interference with enterprises, when carrying out multiple supervisory and inspection tasks, they should be

combined or joint inspections should be carried out as far as possible.

⑤ Establish the concept of green textile industrialization in a comprehensive manner. The government should take the market as the core guide, focus on maximizing benefits, closely around the export enterprises, through the construction of benefit-sharing mechanism, supported by high-quality services, the formation of “market leading industry, leading industry base, base linking enterprise clusters” industry chain mode. Integration of pre-production preparation, production process and product sales and other links to create an efficient synergistic, closed-loop operation of the industrial chain system.

## 5.2 The enterprise’s own perspective

① Actively promote and vigorously innovate the development of green and environmentally friendly clothing products.

② Introduce testing equipment, technology, and talents to obtain a pass to enter the international market.

③ Enhancing the learning of international rules on green trade barriers.

④ The industry needs to help each other, and information within the industry should be interoperable as much as possible.

## 5.3 Industry association perspective

Textile associations need to actively collect and integrate the latest developments in the major global textile export markets, including but not limited to key information on policy adjustments, changes in market demand, and competitive dynamics. Once such information is obtained, it should be immediately and precisely communicated to member enterprises through effective channels, such as emails, meeting briefings and online platform pushes. A comprehensive and sound set of textile and apparel standards, testing mechanisms as well as quality certification systems should be constructed and the information network infrastructure should be strengthened. In addition, we should actively promote the participation of export enterprises in green environment and CSR-related standard application and certification activities. At the same time, it should actively carry out civil diplomacy, build a cooperation network with international counterparts, and set up a regular civil exchange platform to promote cross-country dialogue and cooperation.

## 6. Conclusion

With the development of global economic integration and the increasing awareness of environmental protection,

green trade barriers have become an important challenge for Chinese textile enterprises in the international market. This thesis discusses in depth the impact of green trade barriers on Chinese textile enterprises and the factors affecting them, and puts forward corresponding legal countermeasures.

Green trade barriers have had a multifaceted negative impact on Chinese textile enterprises, including restricting market access and the scope of export markets for China’s textiles, and a substantial increase in export costs. The main reasons for this include information asymmetry, the different attitudes of non-State-owned enterprises and State-owned enterprises in the face of technical barriers to trade, the monopolization of some leading textile enterprises, and the imperfect system of green safeguard systems.

From the perspective of legal countermeasures, the government should focus on the fiscal and financing policies of small and medium-sized micro-textile enterprises, improve the ESG disclosure and evaluation system, fully protect their legitimate rights and interests and fully establish the concept of green textile industrialization; textile enterprises should actively promote and vigorously innovate the development of green and environmentally friendly products, the introduction of advanced testing equipment and technology, and strengthen the study of the international rules of the green barriers to trade. Mutual help within the industry; textile associations need to actively collect and integrate information, and through effective channels to accurately convey to the member enterprises, the establishment of a regular civil exchange platform and international cooperation network.

In short, green trade barriers are both challenges and opportunities. Chinese textile enterprises can only realize sustainable development in the increasingly severe international competitive environment by correctly recognizing their impact, actively adopting effective legal countermeasures and response measures, and strengthening technological innovation and management improvement. The government, enterprises and industry associations should form a joint effort to deal with green trade barriers and promote China’s textile industry to a higher quality and more sustainable direction.

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