

# THE ROLES AND FUNCTION OF CHINESE INDUSTRIAL ASSOCIATIONS IN DEALING WITH ABROAD TECHNICAL BARRIER

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**Abstract:** Under the framework of WTO, many efforts made by the government to develop domestic industries tend to be regarded as setting up trade barriers, discriminations or protections, which brings accusations or revenges from other countries. However, in dealing with technical barriers, the role of government is essential and indispensable, which is especially the case in our country since we have practiced Market economy for a comparatively short time and many enterprises lack the ability to follow and apply the rules in the Market economy and make use of the operating systems in WTO. Therefore enterprises themselves alone can not deal with the problem of technical barriers which is a real problem in a complex background. In other words, we need an appropriate institution to share with the government some sensitive responsibilities and to fill in the position where government is inappropriate or unable to operate. Such an appropriate candidate is industrial association.

**Key words:** industrial association, technical barrier, WTO rules, countermeasures

## 1. THE PROBLEMS EXISTED IN CHINESE INDUSTRIAL ASSOCIATIONS

Since China has entered into WTO, some of the governmental institutions have been cancelled. As an intermediating institution between the government and enterprises, industrial association gradually plays more and more important roles. But generally speaking, most of the industrial associations in China has not yet get rid of influences of the old traditional system and has not possessed the marketing property so that they can not really perform the functions that are supposed to be carried out by them.

Firstly, a healthy and clear function positioning and labor division has not yet been formed in industrial associations. Most of the current industrial associations in China were born from governmental institutions; although they has had some years of development, they are still colored by some characteristics of Planed Economy, which are not in accordance with the development of Market Economy and the requirement of WTO. The current industrial associations tend to emphasize the

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importance of governmental help and the protection of State-owned enterprises, neglecting the need of most middle-sized and small-sized enterprises. Due to this lack of service function, industrial associations have lost their attraction to most enterprises and can not win the belief of enterprises. As a result, the range and strength that industrial associations can function is very limited, bogging into a vicious circle.

In addition some industrial associations tend to carry some characteristics of enterprises in positioning their functions. Those associations are keen on dealing with some profit-making business programs, deviating from the non-profit nature of associations. They become competitive rivals with enterprises, interfering with the market orders.

Secondly, Chinese industrial associations have not successfully adapted the domestic managing systems to meet the international requirement. The management of industrial associations has the problem of overlapping and multi-management and non-divisions between politics and economies. This is not in accordance with the international conventions and is easy to lead to conflicts and unfair competitions among departments in associations. Since quite a number of associations have been set up by the government, the authorities of the relative departments tend to regard the associations as an institution of their own and a resource for income-generating. As a result, associations as mediating institutions can not really perform effectively their functions of supervising, coordinating, and servicing.

In terms of internal management of associations, the self-discipline system needs to be perfected and the relative operations need to be standardized. Some industrial associations fail to follow the principle of "open, justice, fair" when fulfilling their management functions. Especially in the case of quality appraisals, qualification accreditations and market accesses, such non-objective and unfair situations frequently occurred.

Thirdly, domestic industrial associations have the weakness of narrow coverage and poor coordination. Most domestic industrial associations were transformed from state-owned enterprises in the original system, excluding many private enterprises and joint ventures. Due to this narrow composition coverage, domestic associations have limited financial support as well as limited enterprise information, as a result of which they can not perform comprehensively the coordination function.

The main duties and functions of industrial associations include industry planning and industry self-disciplining, maintaining the overall interests of the industry. The current conception of "industry autonomy" advocated in abroad requires that industrial associations carry out self-management for the development and ordering of industries to a certain extend under the governmental rules; it also requires that associations draft out plans and strategies for industries to develop commonly, make industry standards and profession morals, maintain the competition orders among industries and coordinate disputes among each other. The domestic associations in each field lack the overall long-term self-planning, as a result of which the self-discipline of association loses its basis. For instance, Chinese enterprises often resort to the means of lowering prices to take advantage in the international market; but such means will result in weakening the enterprises' development potentials; more seriously, it will incur the anti-dumping strategy of the import country or other barrier blocking strategies, bringing the whole industry in a developmental dilemma.

Fourthly, domestic associations exhibit the characteristic of limited ability and slow responses. In dealing with the abroad technical barriers, our domestic associations have not established a smooth communication channel among enterprises, associations and the government, as a result of which they can not in time provide enterprises with information of abroad techniques(let alone tracing the development orientation of foreign technical barriers) and relative analysis, judges and suggestive strategies. The associations also lack the experience of representing enterprises to negotiate with the abroad, failing to organize enterprises in the same field to deal with foreign technical barriers together.

In terms of setting up technical barriers in trading, our domestic industrial associations show a certain distance behind developed countries. One of the typical examples is that when foreign developed countries are setting up more demanding technical barriers against Chinese export products, China has hardly set up any technical barriers for imports from abroad. Among the 17 items of functions set by the State Economic and Trade Commission in the document of *Several Suggestions for Speeding up the*

*Process of Nurturing and Developing Business and Industrial Associations* (1999), few of the functions can be carried out by current associations.

Fifthly, the domestic industrial associations are running out of human resources. Industrial associations need a large number of talented people with good psychological quality, strong sense of responsibility, profound professional knowledge and wide range of comprehensive knowledge. But the current situation is that most domestic associations are important channels for accommodating government members of segregation as well as retired cadres. High-qualified young people find it hard to fill into the system. This lack of talented people has reached to a certain point that seriously hinders associations to perform their functions.

As time goes by since China entered WTO, and as China develops Market Economy further, industrial association, as a mediating institution shows more and more importance in its supplementary functions to the government. Especially in the current emergent conjuncture when China is suffering from the export inhibition, industrial associations should do their indispensable contributions. At the same time, we should also see that as China gradually opens its service and trade market to the abroad, foreign industrial associations will flow into China immediately. Apart from promoting their own products, such foreign associations will collect the marketing information in China, bringing great pressure to our industrial associations.

In order to adapt into the new trading environment and to deal with various increasing non-tariff barriers which are represented by technical barriers as well as to reasonably solve various trading conflicts and disputes, we must learn from the abroad advanced experience to fully explore the functions of associations so as to solve the problems existed in our industrial associations such as the ambiguous functions, rigid systems and slow responses as soon as possible.

## 2. STRATEGIES AND SUGGESTIONS

According to the requirement of WTO, the rules set by membership governments and legislative bodies should be adjusted, rules made by associations not included. In addition, the rule-making in associations is different from national laws and other regularities; it has the characteristics of fast, local, professional, single and specific etc. We should learn from international conventions, that is, under the premise of not violating WTO rules, we should make out a set of association rules to maintain market orders and protect the essential interests of domestic enterprises; on the other hand, facing the increasing technical barrier limitation, we should actively establish and perfect various domestic industrial associations so as to make the associations be able to secure the position of our enterprises in the international competition. Once abroad enterprises have a great impact on our domestic enterprises, our industrial associations should be able to act immediately, forming a fast-response mechanism to deal with the problems of technical barriers.

First of all, we should make sure the legal status of industrial association and put it under the scope of legal management. Till now we still haven't set up a national law for industrial associations. Due to this lack of legal regularities, it's hard to locate industrial associations in the law system, as a result of which the economic functions of the associations are inhibited and limited greatly. Therefore, we need to set up a legislative regulation for the industrial associations as soon as possible so as to reinforce their marketing functions. We should give the associations all-dimensional full rights to deal with the changing market and secure their nature, category, status and functions in the law system. We should make clear regulations in various fields such as qualification accreditation, staff qualifications, working procedures, rights and obligations, operating mechanisms, finance, credit, tax etc., so as to make the management of associations legalized and regularized, which is the most important and fundamental step in perfecting industrial associations.

Secondly, we should make clear the functions of the industrial associations. In order to meet the requirement of WTO rules and that of market economy and to better match up with the corresponding

functions of abroad industrial associations, our domestic associations need to be transformed towards market orientation. Their main functions should include two aspects: one is the function of industrial self-discipline and the other is the function of overall service.

The self-discipline function includes two aspects: one is to strengthen the industrial strategic planning, to assist the government to lead enterprises to develop towards a healthy direction; the other is to set regularities according to the strategic planning, to avoid unfair competition and punish those who violate the regularities.

The overall service function also includes two dimensions, that is, to assist the government and to service enterprises. On the one hand, industrial associations should reflect the newest claims and requirements and suggestions of enterprises in the market development; on the other hand, associations should assist the government to regularize the operations of enterprises and provide the latest information of policies, and resources for the long-term development of enterprises.

Thirdly, industrial associations should participate in and organize the process of making of rules about profession standard and technique rules. Though perfecting the technique standard system of each industry, industrial associations can regularize the production and competition in the industries, promote enterprises to make progresses in techniques and increase the standard and quality of products; at the same time the associations can also increase the competitive ability of the domestic products to be exported and set technical barriers for foreign products to be allowed into domestic market.

In the traditional system, it is the government's duty and function to make and promote the industrial technical standards. The new policy environment requires that these functions be carried out by enterprises and industrial associations. One of the advantages industrial associations have is that they know more about industrial information than government so that they are more efficient in operation. Therefore the industrial associations at all levels should participate in the standard-making process and promote to take the international standards while at the same time make our own standards in fields that we have advantages such as some traditional fields and some technique-advanced fields, and to further make these standards become the international standards.

Our industrial associations should also learn from the international conventions, learn from the experiences in developed countries and actively assist our government to set up our trade protection system. Even with the trade protection measures, the main domestic enterprises are required to reach the standard so as to show the non-discrimination principle. This requires that the industrial associations should make use of their characteristics of being close to the enterprises, being able to obtain full and true information to set up feasible and appropriate technique protection system, which secures that domestic enterprises reach the standards while limits effectively the import of counter-product abroad.

Fourthly, industrial associations should share some governmental functions and assist enterprises to deal with the abroad technical barriers. This can be reached from two ways as follows:

First, industrial associations should trace the movement of abroad technical barriers as well as collect and process foreign industrial information. As the market priority, enterprises have the best knowledge of the development situation of themselves as well as the advantages and movement trends of their competitors in abroad; but as an individual enterprise, their functions and abilities are limited and it is unrealistic for them to trace comprehensively the supply and demand situation in marketing. And government can merely be capable of monitoring the import and export of those key products and industries. Therefore, for most products, it is the industrial associations that are responsible for monitoring the import and export system.

Industrial associations can access comprehensively and in time the import and export information of the whole industrial field, through tracing the import and export information of relative products and through the information feedback about the local market and relative products obtained from government and from the branch institutions in abroad. Especially, when a product is to break into the market in a short time, the associations can assign alarm information. Based on the comprehensive mastery of the information of the whole industrial field as well as the dynamic information of import and export, industrial associations can prevent domestic industries from suffering from abroad technical

barriers; they can also be aware of the influence of foreign import on domestic industries and thus apply for the government to provide relief and protection for domestic industries.

The technical barriers our industries encountered are mainly from America, Japan and the European Union. Their technique rules and standards as well as the procedures for quality checking are various and always changing. Therefore, it is necessary to trace the changing orientations of those rules and procedures and to obtain information in time so as to deal with those technical barriers.

Second, industrial associations should establish an alarm system of technical trade. The collected information about technical barriers should be processed before being put into application. It is the quality of the processing that determines whether we can successfully deal with the problem of technical barriers. The processing of technical barriers is to make analysis, judges and alarms based on the real situations of the industry. The industrial associations are even more advantaged than the government to carry out the processing. When the industrial associations in current developed countries are paying great attention to the tracing reports and studies of the technical trade barrier measures of the trading partners, our industrial associations are still in the phase of dealing with technical barriers only after we encounter such problems. The main reason behind such problem is that we lack an efficient and effective alarm system. All in all, the individual enterprise has limited ability to deal with those technical barriers; it is possible to successfully deal with this problem only if the government, industrial associations and enterprise work in cooperation.

Industrial associations should be the transmitting hub and the processing center for the technical trade barrier alarm system. The associations should obtain the information concerned with technique barriers abroad and access to the changing and development information as well as background information in time. And then they should make analysis about the influence of those technical barriers on our domestic industries and enterprises so as to provide suggestions and measures for related enterprises while at the same time, they should also provide the feedback for the government so as to create conditions for the negotiations and consultations among governments to solve certain disputes. For those special products that may possibly be sued or banned, industrial associations should try their best to work out certain alarm measures with enterprises under the assistant of relative departments so as to make the relative countries withdraw any sues or other revenge measures.

Third, we should make use of the industrial associations to solve the disputes in trading. Currently, our domestic industrial associations perform limited functions in dealing with international trading disputes and technical barriers. When enterprises were encountered with technique barriers, they often could not form organizations and defend for themselves as a result of which, they lost many hopeful chances. In order to get rid of this situation, each industrial association should constantly perfect themselves, learn the relative rules in international trading and dispute-solving systems, actively learn from the corresponding associations in abroad, take on the primary responsibility to negotiate with the abroad at the association level, accumulate various international trading experiences and increase the ability to solve the various disputes in trading.

Under the framework of WTO, the above functions of industrial associations can never be replaced. First of all, it is justified that industrial associations, as the market negotiation priority in folk forms, represent enterprises, which is in accordance with the international convention. Secondly, industrial associations have an excellent knowledge of the relative industrial field; they know about the situations of industries, the demand and requirement of enterprises better than the government does. So industrial associations are more suitable to balance the goodness and badness and are the best candidate to protect out interest.

Fourthly, we should work harder on the establishment of information-net to make information transmission faster. Currently, the infrastructure of public information platform in industries develops slowly; public information resources are distributed in dispersion. In addition, there is the serious problem of some local departments practicing local protectionism and external blockade measures, making it hard for information resources to be shared in real sense. Information can not be ensured to be accurate, complete and in time; the reliability of information is also affected greatly. Therefore, we should speed up the establishment of information platform. As the information transmitting hub for

abroad technical barriers alarm system, industrial association should make use of the internet management to ensure that technical trade barrier information and other information in relative fields is transmitted without any interference and the transmitting of information is effective and in time.

Fifthly, we should speed up the process of personnel training and level up the whole quality and working ability of our work staff. The function that industrial associations can perform is determined by the internal qualities of the association, which is represented by appropriate institution establishment and personnel allocation. Our domestic industrial association should work harder on the training and introducing professionals who have relative field background, international business management experience as well as a strong sense of marketing, time efficiency, organization ability and good professional morality, so as to form a multi-level personnel framework, which include industrial management, technology exploration, policy study, service enquiry etc. Only when the association is equipped with corresponding human resources can it shoulder more management and service duties; its core operational capacity can be increasingly leveled up, entering up into an increasingly development road.

Finally, we should pay more attention to the communication with the abroad, learning the advanced experience from the technical trade barrier management of industrial associations in developed countries. The practice of western countries shows that only when the domestic industrial associations actively participate in international communication can they benefit most from the advanced and mature operation experience in other countries so as to promote the development of domestic industries. The industrial associations in each country have some universal laws as well as some particular measures in dealing with technical trade barrier management. We should strengthen the communication link with other countries so as to learn from their experience and construct the appropriate management modal for our country.

In conclusion, in dealing with the abroad technical barriers, both the limitations set on our government functions by WTO rules and the practice and experience of developed countries require us to develop the domestic industrial associations to fill up the position where the government can not perform its function. Our industrial association should learn from the abroad experience and relate it to the real conditions in our country to perfect its operation mechanism, better rallying the scattered enterprises and organizations to form a strong team. Industrial associations should provide the government with suggestions on policy making as well as overall services for enterprises, creating conditions for enterprises to overcome technical barriers. Industrial associations should also play the role of the representatives for foreign negotiation, playing game theory with the main trade partners.

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