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Article

Research on the Impact of EU Import Policies on China's Industries and Human Resource Structure

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Abstract: The EU market legislation that prohibits products involving forced labor has an adverse impact on China's industries and human resource structure, such as increasing trade barriers and technical frictions, and changing the economic cooperation model between China and the EU. Affecting the security of China's industrial chain and supply chain, and hindering China's economic development; Increasing the compliance risks and labor costs of our enterprises, and weakening the international competitiveness of our products; Significantly increasing the employment pressure in our country and altering the structure of our labor resources. Based on the study of the EU's import policies and the investigation of the actual situation in China, this article puts forward the following countermeasures and suggestions: Firstly, the government provides policy support, actively facilitating the expansion of the survival space for Chinese enterprises in areas such as law, diplomacy and international cooperation. Then, at the enterprise level, strengthen supply chain management, reduce compliance risks, and enhance the resilience of the industrial chain. The third is to promote the reform of vocational education and the reconfiguration of skills, in order to address the structural contradictions in the labor force and optimize the labor resources. The fourth point is to expand employment channels and promote the coordinated transformation of the industrial structure and the employment structure.

Keywords: EU; forced labor; human resource; employment

1. Introduction

On 19 November 2024, the European Council finally approved the "EU Market Prohibition of Products Made with Forced Labour Regulation" (Proposal for a regulation of the European Parliament and of the Council on prohibiting products made with forced labour on the Union market, FLR) [1]. After being signed by the President of the European Parliament and the President of the European Council, this regulation was published in the EU Gazette and came into effect on the day of its publication. It will be applicable three years from the date of its entry into force. According to the definition of the International Labour Organization (International Labour Organization, ILO), forced labour refers to "all work or services provided by means of punishment threats, not voluntarily by the person concerned". The EU has determined that forced labour exists globally. According to the data provided by the International Labour Organization, in 2021, approximately 27.6 million people were in forced labour conditions, of which 3.3 million were children. The EU believes that forced labour exists in many industries, such as the textile industry, agriculture, and mining. This regulation authorizes the EU to prohibit and remove products involving forced labour, whether they are produced within the EU or imported

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to the EU, including both physical markets and online platforms, and provides public reporting channels globally. The final decision on whether to deem it a violation, and to issue a product ban, etc., is made by the leading investigation body (i.e., the European Parliament and the European Council). This move indicates that starting from December 2027, products exported to the EU will face more stringent reviews.

The EU market legislation prohibiting products involving forced labor is not groundless. The European Parliament has repeatedly passed resolutions strongly condemning forced labor and calling for the prohibition of related products. As early as July 2021, the European Commission and the European External Action Service released the "EU Corporate Due Diligence Guidelines" to help enterprises address the risks of forced labor in their operations and supply chains. In its "Global Fair Transition and Sustainable Recovery Report on Decent Work" on 23 February 2022, the European Commission pointed out that further actions are needed to achieve the goal of removing forced labor products from the EU market, contributing to global anti-forced labor efforts. The core priorities of the "EU Human Rights and Democracy Action Plan 2020 – 2024" include promoting decent work, a people-centered future of labor, strengthening responsible management of global supply chains, and social security. The draft of the "EU Market Prohibition of Forced Labor Products Regulation" was first proposed by the European Commission on 14 September 2022, and after multiple revisions, it was passed by the European Parliament on 23 April 2024, and finally passed on 19 November 2024.

The introduction of the "EU Market Prohibition of Forced Labor Products Regulation" can be regarded as a means for the EU to strengthen human rights standards in global supply chains and set a moral benchmark. However, this move is bound to change the economic cooperation pattern between the EU and other countries, and the power structure of international geopolitical influence between China and the EU, and has a significant impact on China's industrial development and the structure of labor resources [2].

2. The Significant Impact of the Introduction of the "EU Market Prohibition of Forced Labor Products Regulation" on China

The introduction of the EU's anti-forced labor regulations represents an important shift in the economic cooperation pattern between China and the EU. In 2021, China's economic output surpassed that of the 27 countries of the EU for the first time. The EU is increasingly viewing China as a major economic and technological competitor. This regulation not only reflects the strengthening of the EU's policies in the areas of human rights and supply chain ethics, but also has a profound impact on the construction of China's industrial chain and the structure of its labor resources.

2.1. Increasing Trade Barriers and Technical Frictions Will Change the Mode of Economic Cooperation between China and Europe

Firstly, the EU is seeking to replace traditional tariffs with "compliance barriers", exerting pressure on specific industries in China through selective enforcement, thereby creating a de facto non-tariff barrier. The trade volume between China and the EU was approximately 731.1 billion euros in 2024. If certain products are restricted, it will temporarily affect the growth rate of bilateral trade. Secondly, technical frictions are reflected in the competition for standard-setting power between the two sides [3]. The EU attempts to export labor standards through legislation, while China needs to deal with the rule system it leads. Otherwise, it may be marginalized. Thirdly, it increases the risk of industrial transfer. Some EU enterprises may shift their supply chains from China to Southeast Asia, Eastern Europe, etc., to avoid compliance risks. Furthermore, the uncertainty in cooperation in the green and digital economy fields has increased. China and the EU have close cooperation in areas such as new energy and electric vehicles, but if forced labor accusations spread to key materials such as rare earth and batteries, it may affect the confidence of enterprises in bilateral cooperation.

2.2. Affecting the Security of China's Industrial Chain and Supply Chain, and Hindering China's Economic Development

The implementation of this regulation has the most direct impact on China's labor-intensive industries. For instance, sectors such as textiles, photovoltaic (monocrystalline silicon), electronic assembly, and agriculture, which rely on low-cost labor, may face stricter scrutiny. For example, the photovoltaic and cotton industries in Xinjiang region have previously been questioned by the West. After the implementation of this regulation, the export resistance may intensify. Additionally, this regulation requires compliance throughout the entire supply chain from raw material extraction to production manufacturing, which will seriously disrupt the ecological balance of the symbiotic development of the upstream and downstream of China's industrial chain. Take washing machines as an example. If the supplier of a single nut is determined to have "forced labor", the entire washing machine will be rejected by the European Union. Then, the upstream and downstream industries related to the washing machine, such as suppliers of motors, electronic controls, plastic and steel manufacturers, as well as online and offline sales platforms, will all be affected. Problems such as raw material shortages, logistics delays, increased costs, and brand risks caused by compliance issues will ultimately lead to the stagnation of production for some enterprises. In the short term, China's industrial chain and supply chain will face severe restructuring pressure, and economic growth will be affected.

2.3. It Has Increased the Compliance Risks and Labor Costs for Chinese Enterprises, and Weakened the International Competitiveness of Chinese Products

Firstly, the implementation of this regulation has significantly raised the requirements for information integration and transparency in China's industrial chain and supply chain. EU importers may demand that Chinese suppliers provide more detailed proof of labor rights (such as wage records, working hours records, third-party audit reports, etc.). The compliance costs for small and medium-sized enterprises have increased, and the operational risks have also risen. If any Chinese enterprise receives a notice of investigation for "forced labor", it needs to provide detailed evidence to prove its compliance within the specified time [4]. This poses a huge challenge to the management level and information collection ability of the enterprises. If they fail to respond promptly and effectively, they may face consequences such as the ban of their products from entering the EU market. At the same time, the EU has set up a dedicated website and email to receive reports. A single photo of the report may lead to the enterprise facing the risk of violation. Additionally, according to this regulation, "extremely long overtime" is regarded as forced labor, which brings significant pressure to many domestic enterprises. In conclusion, this regulation will significantly increase the compliance risks and labor costs for Chinese enterprises, and greatly weaken the international competitiveness of Chinese products.

2.4. Significantly Increasing the Employment Pressure in China, Altering the Structure of China's Labor Resources, and Causing Impacts on the Stable and Harmonious Development of China's Economy and Society

Firstly, the employment pressure in labor-intensive industries has increased. Taking the industries that have been severely impacted as an example, such as the textile and garment industry: In 2024, China's textile industry employed approximately 25 million people (as reported by the National Bureau of Statistics), among which Xinjiang's cotton production accounted for 20% of the global output. If the EU restricts imports on the grounds of "forced labor", it may lead to the loss of some enterprises' orders and put low-skilled workers at risk of unemployment [5]. The photovoltaic industry: China's polysilicon production accounts for 80% of the global total, and Xinjiang's production capacity accounts for over 40%. If the EU strengthens the review of upstream materials, it may cause relevant enterprises to lay off workers or transfer production capacity to other regions. The electronic assembly industry: Contract manufacturers like Foxconn rely on large-scale labor. If the EU requires supply chain transparency, enterprises may accelerate the "machine replacement of human labor" and reduce the demand for general workers. Secondly, it has led to regional employment differentiation. The pressure in the western regions is prominent: Resource-based provinces such as Xinjiang and Gansu rely on labor-intensive industries to solve employment issues. If exports are blocked, it may exacerbate local employment conflicts. The eastern coastal regions are accelerating their transformation: Enterprises in the Yangtze River Delta and Pearl River Delta may reduce their reliance on labor through mechanical automation, and the unemployment rate of workers in China will increase significantly. The quality structure, industrial structure, occupational structure and regional structure of the country's labor force will be forced to adjust [6].

3. China's Countermeasures and Suggestions for Addressing the "EU Market Prohibition of Forced Labor Products Regulation"

With the changes in the international geopolitical landscape, the coexistence of cooperation and competition between China and Europe will become the new normal. On one hand, the competition between the two sides has intensified. The protectionist measures of major European countries in the fields of trade and investment have increased, and the cognitive gap between China and Europe has continued to widen. On the other hand, China remains an important economic partner and market for the EU, and there are broad prospects for cooperation in areas such as digital transformation and green development. Currently, the competition between China and Europe over labor and environmental standards will persist for a long time. Our country should formulate policies at the government, enterprise, and industry levels to actively respond and seek to maximize our economic interests.

3.1. The First Point Is That the Government Should Provide Sufficient Policy Support. It Should Actively Facilitate the Expansion of the Survival Space for Chinese Enterprises in Areas Such as Law, Diplomacy and International Cooperation

At the legal level, on one hand, improve the national labor regulations to align with international standards; on the other hand, implement legal countermeasures and utilize WTO rules to question the compliance of EU unilateral measures. At the same time, actively strengthen the ESG (environment, society, governance) system construction, promote the alignment of domestic ESG standards with international standards, and encourage enterprises to obtain social responsibility certifications such as SA8000. In the international cooperation aspect, jointly with ASEAN and African countries to resist unilateral standards, and in the framework of WTO, promote the establishment of a "multilateral framework for fair trade labor clauses", such as the signing of the "BRICS Strengthening Supply Chain Cooperation Initiative" in July 2022; expand diversified markets, through RCEP agreement and "Belt and Road Initiative" to explore the markets of ASEAN and Africa, and reduce dependence on Europe. In the diplomatic aspect, refute unfair accusations and strive for international discourse power. Strengthen friendly cooperation with countries such as Greece and Hungary, and utilize the internal interest division dynamics within EU member states to adjust the economic cooperation model between China and Europe. Additionally, through innovative policy tools, set up special subsidies and tax levers, offer VAT refund incentives to enterprises that obtain international labor certifications, and establish a "compliance transformation fund" to support the upgrading of compliance management for small and medium-sized enterprises.

3.2. The Second Aspect Is to Strengthen Supply Chain Management at the Enterprise Level, Reduce Compliance Risks, and Enhance the Resilience of the Industrial Chain

First, improve the internal policy and institutional framework of the enterprise. Clearly stipulate that cooperation with any supplier involving forced labor is prohibited, and formulate detailed and operational supplier screening standards and rigorous review procedures, establishing a regular supplier review mechanism; build a complete employee rights protection system to ensure a safe working environment for employees, reasonable labor remuneration, and compliant working hours, and resolutely prevent any form of forced labor; study and formulate a "dual-track" supply chain system, one set in line with Western standards and the other serving cooperation with developing countries, seeking the maximization of international cooperation benefits.

Second, deeply review and accurately assess supply chain risks. The enterprise should conduct a comprehensive and in-depth review of the supply chain, using professional risk assessment tools and methods such as risk matrices, questionnaires, and on-site interviews, to accurately identify and assess the potential forced labor risks in each link of the supply chain; establish a risk early warning mechanism, when abnormal fluctuations in risk indicators are detected, be able to quickly activate the emergency plan and take effective measures to control, ensuring the continuous and stable operation of the supply chain; build a close and effective supplier cooperation and supervision mechanism, actively provide training and technical support to suppliers, ensuring their production and business activities comply with EU requirements.

Third, strengthen supply chain data management and the construction of an information sharing platform. Promote a supply chain management system based on blockchain traceability, open factory labor conditions data to EU customers in real time, and improve customs clearance efficiency. At the same time, the enterprise should actively participate in the construction of industry information sharing platforms, sharing experiences, lessons learned, successful cases, and practical technologies in responding to the EU's forced labor ban. Through information sharing, form industry synergy, and enhance the compliance level of the entire industry.

Fourth, continuously promote employee compliance training and capacity improvement programs. Develop a systematic employee training plan, focusing on strengthening knowledge training in EU forced labor regulations, corporate social responsibility, and supply chain management, improving employees' risk identification capabilities and compliance operation levels. Establish an employee feedback mechanism, encourage all employees to participate, and promptly reward employees for discovering potential forced labor risks or proposing reasonable suggestions, creating a favorable corporate compliance culture atmosphere.

3.3. It Is Suggested to Promote Vocational Education Reform and Skill Reshaping, Solve the Structural Contradiction of the Labor Force, and Optimize the Labor Resources

Firstly, promote the joint operation of vocational education and enterprises, learning from the German "dual education" model and inviting enterprises to deeply participate in the design of courses. For instance, the Intelligent Manufacturing College of Suzhou Jianxiong Vocational and Technical College has customized skilled workers with German companies such as Schaeffler and Bosch, and has established 9 dual education apprenticeship order projects. Hundreds of new-generation high-tech personnel have been trained and have found high-paying jobs.

Secondly, improve the lifelong skills training system for industrial workers, with the government subsidizing enterprises to conduct on-the-job training, establishing a skills certification mutual recognition mechanism, and allowing cross-industry skills conversion. For example, the warehouse management certificate certified by JD Logistics can be used in the manufacturing industry. By further improving the cross-training mechanism between academic education and social skills training, continuously enhance the skills level of the new generation and traditional workers, and help them adapt to the needs of new industrialization development.

3.4. Actively Expand Employment Channels, Promote the Coordinated Transformation of the Industrial Structure and the Employment Structure, and Build a Sustainable Employment Ecosystem

In the short term, to effectively manage unemployment, the following measures should be taken: Firstly, strengthen the management of unemployment plans. For example, establish "employment risk heat maps" for sensitive industries such as photovoltaics, textiles, and electronic assembly, to monitor the employment fluctuations of key industrial clusters in real time. Use AI early warning systems to initiate stability plans in advance. Secondly, promote the expansion of unemployment insurance coverage. Include new business operators in the unemployment insurance coverage and provide employees of affected enterprises with a maximum 6-month "transition employment subsidy" (which can be paid at 80% of the local minimum wage). Thirdly, establish a temporary public job absorption plan. Develop transitional jobs in areas such as community services and ecological protection (such as renewable energy facility maintenance workers), with a monthly salary of no less than 3000 yuan, for a period of 1–2 years.

In the long term, we should vigorously expand employment channels and promote the coordinated transformation of the industrial structure and the employment structure. First, promote the construction of cross-regional "skill-position" matching platforms, build a unified national labor force digital map, and dynamically match the skills of middle and western transfer personnel with the new production capacity demands in the east. Second, create new digital economy jobs. Implement the "Million Craftsmen Program" in high-end fields such as intelligent vehicles and industrial machines, stimulate job creation through tax incentives (such as enterprises receiving a tax deduction of 50, 000 yuan for each engineer trained), and develop new occupations such as industrial internet platform operation and cross-border live streaming product selectors in the service industry. Third, enhance the employment carrying capacity of "county-level economies". Focus on cultivating county-level characteristic industrial clusters, and build vocational education centers to achieve "employment at home". Fourth, implement a combination of fiscal and tax incentives. For enterprises that employ more than 50 transferred employees, they can receive VAT tax incentives; establish an "industry and employment coordination fund", and provide a subsidy of 10,000 yuan for each new job created by the project in the central and western regions that continue industrial transfer. Through these measures, we will force the labor structure to upgrade to "high skills, high added value, and high adaptability", and ultimately transform the compliance pressure from the EU into the transformation impetus for our country's industrial and labor resources.

4. Conclusions and Discussion

The introduction and implementation of the EU's "Regulation on Prohibition of Forced Labor Products" is by no means a simple trade technical barrier; rather, it is a comprehensive regulatory tool that integrates values, laws, supply chain management, and geopolitical considerations. It will pose systematic, multi-level, and far-reaching challenges to China's industrial development, especially to labor-intensive industries and export-oriented industries that rely on the EU market. Its impact is multi-dimensional and transmissive.

The in-depth discussion of this study reveals that the essence of this challenge is a reflection of the transformation of China's deep participation in the global value chain from "prioritizing efficiency" to "prioritizing safety and values". The EU attempts to incorporate its labor and environmental standards into global trade rules through unilateral legislation, in order to gain control over the discourse and rule-making power in future trade and industrial competition. China is not only facing the problem of proving the "absence of forced labor", but also the issue of how to participate in and shape the discourse of this new rule system.

The EU's "Anti-Forced Labor Act" is a major test that China's industrial development must confront in its new stage. It is both a severe challenge and an important opportunity to promote the transformation and upgrading of China's industries towards higher standards, more sustainability and higher quality development. Only by the concerted efforts of the government, the industry and enterprises, using the law as a shield, facts as a spear and reform as a path, can risks be effectively managed and an advantage be gained in the increasingly complex global economic and trade landscape, thus creating a future.

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