
Introduction

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Welcome to this special issue of the Journal devoted to a wide variety of issues concerning sustainable development in China. There is no doubt that China is now seen as one of the most dynamically expanding economies in the world. The growth rate of real GDP has been among the highest the world has seen in many decades. Indeed China has been exhibiting real GDP compound growth rates that even Japan struggled to achieve in the 1970s and 1980s. We are at the beginning of the 21st century and already the popular press has been describing this as Asia's century – and at the core of this sentiment is the expansion of both China and India. However, rapid economic growth brings social, environmental, management and economic problems of its own. Many of these are addressed in this special issue by a selection of papers contributed by authors from China, India, the UK, Germany, France and Hong Kong (SAR). They focus on specific issues including the development of China's regions, human resource management, e-commerce, social housing, foreign direct investment, tourism development, the emergence of the organic food industry in China, the development and future of the automobile industry and the critically important issue of the sustainability of long term care for the elderly. The papers have been selected to reflect as closely as possible the key themes of this Journal – sustainability issues, the role of technology and science and wider economic development. Many papers could not be included due to reasons of space but we are confident that an appropriate mix of research papers has indeed been selected for this special issue. The papers have been selected, reviewed and edited by staff at the EU-China Development and Research Centre based at Napier University Business School, Edinburgh, Scotland as well as having gone through the usual refereeing process for this Journal.

The first paper represents a fundamental area in sustainable economic development, that of regional economic growth and regional disparities resulting from wider macroeconomic forces. The paper by Zheng et al. examines the effects on China's regions of FDI over a 15-year period using panel data to estimate an extended production function model. In each estimated equation the FDI variable is found to be both positive and significant as a driver of economic growth across the country's regions and at national level. Of particular interest is that this finding is also true for China's western region (the least developed) and therefore points to the conclusion that regional disparities could be reduced by focused direction of FDI towards this region and others less developed than the coastal region. As the authors point out, the Tenth Five-Year Plan (2001–2005) already included the development of the western region as a key policy – the evidence presented in their paper provides clear economic justification for such a policy. A very different issue is addressed in the paper by Hynes et al. – the authors present an analysis of the problems facing the development of e-commerce in China and the barriers that continue to impede its development. The paper demonstrates that there are still serious technological, financial and physical barriers to e-commerce development in China but strongly argues that these are far less important than those

associated with consumer confidence in e-commerce. In particular the problem of trust (or the lack of it) exhibited by Chinese consumers. The authors offer a set of propositions to be examined using an online survey of over 2000 respondents. These relate directly to the issues of trust, confidence, privacy and security. The a priori propositions are found to be strongly supported by the data in most cases confirming that they may well represent a binding constraint to the sustainable development of e-commerce in the country. For the Government these findings also represent a major problem that must be addressed – the development of effective legislation, privacy protection and technology that will enable the many fears of Chinese consumers to be dissipated in the context of e-commerce. This is likely to be a very long-term problem.

Returning to the question of FDI in China Arindam Banerjee presents a fascinating and extremely informative narrative on the transition of China from a controlled to a market oriented economy using the introduction of the many law reforms as a basis for the analysis. The author also presents a wealth of data on the development of China in the context of FDI, the drivers behind this development and an analysis of its internal and external impacts. As in the paper by Zheng et al., this paper also highlights the growing regional disparities within China and in particular the problem of the contribution of FDI employment to total employment in the less developed regions. Here the contribution of FDI is significantly less than in the urban areas of the eastern regions. This evidence strongly supports the conclusion provided by Zheng et al. that a regional development policy (inclusive of FDI) is rapidly needed in China.

Of course a key issue for sustainable economic development is the question of labour supply whether to fill jobs from FDI or other sources. In particular is the problem of managing human resources – even if labour is ‘cheap’ it is still required to be trained, developed and retained. The paper by Rehu et al. specifically addresses some of these issues in the context of a major German multinational operating in China. The authors present an analysis of the information needed to construct a sustainable HRM system using survey data generated in both China and Germany. The findings of this research reveal that there are very significant differences between Chinese and German employees (of the same company) in terms of what motivates them – this is the case for direct remuneration, fringe benefits and for being recognised as a good employee. The paper presents a raft of interesting and sometimes surprising findings that nevertheless hold important lessons for effective and sustainable HRM systems in China. Although much of the literature on China’s recent development has focused on FDI, trade and manufacturing expansion a key component of the current development plan is tourism. The target for tourism’s contribution to GDP by 2010 is ambitious and the paper by Cheng et al. addresses a key question – are the laws associated with tourism appropriate and effective in enabling development that does not undermine the natural environment? The focus of the paper is on the natural reserve areas in China and how a redesigned legal framework may be drafted in order to better facilitate the achievement of the current plan’s targets. The authors present and discuss a range of design, criteria, qualification and certification standards for the development of the natural reserve areas in China that they argue will better enable the country to manage these important natural resources in the future.

The paper by Omar and Handley-Schachler turns to issues of politics and culture and the effect these may have on the sustainability of China’s development in the context of FDI. This paper sets out to establish a number of testable hypotheses that future research will address and is therefore very much a ‘think-piece’ in contrast with the other papers,

which are primarily empirical in nature. The focus of the paper is on the environmental, political and cultural effects that FDI providers should take into account in planning future investment. These are identified as key areas that have not been sufficiently addressed in the literature and therefore provide a rich source of research questions still to be answered. Of major concern in China today is the problem of housing. There continues to be a significant rural-urban migration of labour, principally seeking work, which is putting large demands on the available urban housing stock. The paper by Brown et al. provides an insight into one possible means of alleviating this problem – the use of Public Private Partnerships (PPP) to develop social housing. The authors provide an analysis of the current social housing problems and an appraisal of the ability of PPP to help deal with these. An assessment of the current environment surrounding housing policy and PPP is offered in terms of the country's ability to use this mechanism as a possible solution to the provision of social housing.

Remaining with social issues the paper by Zhang highlights a critical problem facing China which is also a critical problem for Europe, North America and elsewhere – populations are ageing but how can social care for the elderly as they increase in number be provided? In China the problem will become an enormous one just on the basis of the sheer scale of it. Zhang offers an analysis of alternative funding and saving mechanisms that may be introduced in China to alleviate the many problems brought by an ageing society within a developing country. The author concludes that social insurance mechanisms are likely to be the only way forward but implementation of these must take place soon.

On a very different subject Lee and Anderson focus on the development of China's own automobile industry in terms of the opportunities and constraints within which its future will be determined. The authors utilise Porter's 'diamond model' to offer a critical analysis of the industry's development particularly in the context of strategic alliances and the framework provided for it by the Government. The conclusions suggest that China's own automobile industry is well placed for expansion in the future and will become internationally competitive in an industry that is already one of the most competitive in the world.

The final paper in this special issue focuses on a key area of current agricultural and export strategy in China – the development of organic food production capacity, principally for export to world markets. The paper by Dezhong et al. examines the recent history of this sector in China and provides an analysis of the current constraints facing it. The paper goes on to argue that the legal framework for this sector, particularly in terms of authentication and standards needs to be addressed more closely if the output is to be acceptable to importing countries. Issues of industrial structure and marketing strategy, the authors argue, lie at the root of the sector's problems in China.