
Editorial

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Biographical notes: Kok-Boon Oh teaches in the Graduate School of Management at La Trobe University, Melbourne. His current research interests include finance, value chain management and trade. He has co-authored six books, 21 refereed journal articles in these areas, and presented more than 28 papers at national and international conferences. Sample of his work can be found in the *Journal of Asian Economics*, *Industrial Management and Data Systems*, *International Journal of Production Research*, *International Journal of Systems Science*, *Savings and Development Quarterly Review* and *Elsevier's Contributions to Economic Analysis Series*. He is an editorial member of the *International Journal of Electronic Customer Relationship Management* and *International Journal of Value Chain Management*.

I am pleased to introduce this special issue of *International Journal of Value Chain Management* on 'Value chain management (VCM) implications for china economic development and prosperity in the new decade'. This special issue is one of the important deliverables from the 22nd Annual Conference of the Association for Chinese Economic Studies Australia (ACESA), La Trobe University, 15–17 July 2010. Suitable papers were invited to submit to this special issue, and the journal's review process was undertaken.

This special issue contains six papers, discussing major challenges for China's economic development and VCM. Below is a brief overview of the papers that appear in this issue.

The first paper by J. Chen and Xuebin Chen discusses the recent global financial and economic crisis, which has important impacts on the world economic and financial system. The paper analyses its impacts on Chinese financial system and the challenges faced by Chinese financial industry in the post-crisis era. The direct impacts of the crisis on Chinese financial system are relatively small due to recent Chinese banking sector reform, large spin-off of non-performing assets, injection of capital by the government and a Chinese banking sector that remains highly regulated and localised without much room for innovative market pursuit. The lessons learned from the financial crisis and the impacts on Chinese financial system development are also mentioned.

Chunlai Chen's study, using a gravity model with panel data (including 50 developing countries over the period of 1992 to 2008), finds that, after controlling its huge market size, increasing per capita income, fast economic growth, low labour costs and good creditworthiness, China's performance in attracting FDI inflows was at a level only moderately above its potential, and China received only its fair share of FDI inflows from the world for the last three decades. Apart from the current global financial and economic crisis which severely affected the global FDI flows, the low level of FDI

inflows into China from the developed countries is one of the most important causes for China's under-performance in attracting FDI inflows.

The third paper by John Hicks, P.K. Basu and Richard B. Sappey analyses, at the national level, China's amazing growth that has been driven by increases in labour productivity. Initially, this was explained by increases in the capital/labour ratio, but, more recently, increases in total factor productivity (apparently as a result of increased spending on education) have become a more important part of the explanation. This paper examines the growth experience at the provincial level and finds it to have been very uneven with the East generally growing earlier than the West. They identify that an appropriate policy measure to assist in achieving balanced growth across the provinces is to continue to increase educational expenditures in the lagging provinces.

The fourth paper by Sekhar Chattopadhyay, Danny S.K. Chan and John P.T. Mo evaluates the worldwide perceived notion that the cost of labour and materials are cheaper in China. Giant corporations are disaggregating into small autonomous business units to combat fierce competition. The authors use the theory of atoms and molecules to explain and analyse the architecture of large enterprises through the lens of these small autonomous business units. This paper attempts to create a generic enterprise model for the molecular organisations (MO) arising out of the disaggregated value chain (DVC) in China and shows how people in different levels of the MO improve 'value chain' by enhancing mutual trust through collaboration in teams.

The fifth paper by Segu Zuhair and Riccardo Natoli reviews human capital with special reference to its definition, measurement methods, and its contribution to economic growth and development. Vast amount of effort has been spent on the acquisition of knowledge and its application to enhancing living standards. A formal approach to this topic, however, was developed only during the past 300 years. The increasing importance placed on knowledge, accelerated by the rapid development of information technologies, and has necessitated the development of new approaches to assess the role of human capital.

The final paper by Yejing Huang and Tieshan Wang looks at outsourcing's technology spillover effect to local supplier enterprises in China's involvement in the global production network. This paper investigates and analyses the technology spillover effect of outsourcing on local outsourcing suppliers. It presents a description of the linkage between export orientation and technology, makes an in-depth analysis on technology spillover effect from the relevant technology linkages, and decomposes the technology spillover effect into four sub-effects, namely demonstration effect, experts' mobility effect, research and development spillover effect, and agglomeration effect.

Altogether, the papers in this special issue provide interesting insights into the value chain implications for China's impressive economic development.

The guest editor would like to thank all the authors for submitting their papers to this special issue and the reviewers for their valuable comments and contribution.