

NEXUS BETWEEN COUNTRY GOVERNANCE, GLOBALIZATION, SUSTAINABLE DEVELOPMENT POLICY, FAIR TRADE AND ECONOMIC SUSTAINABILITY: A MEDIATION-MODERATION APPROACH

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Abstract. Sustainable development of the economy is the goal of every country in the world. The economic growth of China is accepted worldwide, but the Chinese economy also suffers from an economic crisis. The role of the Chinese government is important for Chinese businesses and the economic sustainability of the country. The theoretical framework of this study is designed to determine the impact of globalization and sustainable development policy on fair trade and economic sustainability in China. A questionnaire based on Likert scale were employed with a random sampling technique to collect the cross-sectional data for this research and 1094 responses were collected at the rate of 55%. AMOS statistics tool was employed for the findings of this study based on a research questionnaire. The research concludes that globalization and sustainable development policy have a significant impact on fair trade and economic sustainability in China. This study introduced a new framework related to economic sustainability in the body of knowledge. The theoretical and practical implications of this study have significance for literature and practitioners in China to achieve sustainability in the economy. The research is novel as it highlighted the importance of globalization and sustainable development policy for fair trade and economic development in China. Accordingly, it would be helpful for the policy makers to have reliable decisions for sustainable development and promotion of fair trade.

Keywords: sustainable development policy, globalization, fair trade, good governance, economic sustainability.

JEL Classification: F11, N01, Q01.

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1. Introduction

To achieve economic sustainability in any country, the role of government is critical as it has responsibility for economic growth (Amar et al., 2022; Kuo & Chang, 2021; Misiri et al., 2021; Vurur, 2022; Zhao et al., 2023). Different countries have different markets according to their socioeconomic system (Xue et al., 2022a). In China, the mixed market economy is working because the government is regulating the markets and the private sector is also allowed for production and manufacturing (Abid & Saqlain, 2023; Wang et al., 2011). Indeed, most of the countries in the world have mixed economies, but economic growth is dependent on other factors (Zhao et al., 2019). China is the largest economy in the world, and it is also a big exporter of products and services to other countries (Haibo et al., 2019). China has access to the markets of Europe and central Asian countries. Indeed, this trade helps China to grow

its economy in a better and the productive way. The way China is working has a significant impact on the global arena, and many countries in Asia and Europe are adopting the Chinese model of economy and growth to achieve sustainability. Likewise, the Chinese government is also working on a sustainable development policy because the purpose is to promote the economy sustainably as the market crash is a big challenge for importers and exporters. The Chinese government has anticipated the future crisis in the economic condition, but the policy development is not clear to address these issues in the future to achieve sustainable development (Sarker et al., 2019; Sun et al., 2023; Ma et al., 2022).

Sustainable development policy for any country is critical (Murad et al., 2022; Rahmawati et al., 2023) because the people of the country are directly a victim of bad economic conditions as they lost jobs and hopes for a standard of living (Philip et al., 2022). Meanwhile, the Chinese economy is a command and mixed economy, the government has a strong influence on the economic condition of the country. Indeed, sustainability is not easy to achieve but the government has greater responsibility to develop sustainable development planning and implement the policy with effective strategy (Mohamed & Abdulle, 2023). Similarly, to achieve sustainable economic growth, the government of any country needs to focus on sustainable development policies, as these policies are critical for improving the public's standard of living and sustainable economic growth. Moreover, there is an important role of fair trade to achieve sustainable economic growth. In America, fair trade is considered the critical policy for improving exports because these trade barriers are not fit for modern trade policy. The Chinese government and the ruling communist party of China have the responsibility to improve the governance because these governance issues are a critical hurdle in the way of sustainable economic growth of the country (Škare & Soriano, 2021). Due to globalization, the Chinese exporters have access to the international markets, therefore the Chinese government is required to focus more on international trade policies for improving the sustainable economic growth of China. Indeed, in a globalized world, a country alone can't achieve sustainable economic growth (Al Mashkoor, 2022), but it has to focus more on the role of other countries for better economic management (Basri & Siam, 2019).

Xue et al. (2022a) concluded that for achieving economic sustainability, all the stakeholders in the country should work jointly. Furthermore, Philip et al. (2022) explained that globalization has a significant impact on the economic growth of any country because the economics are shared in globalism as the culture is shared. Zhao et al. (2019) asserted that in past to achieve economic sustainability, governance was a major issue in China, but in modern times Chinese government needs to focus more on good governance for sustainable economic growth (Hensawang, 2022). Kuo and Chang (2021) also highlighted that due to a lack of good governance, the industry is not able to achieve economic growth in Pakistan in comparison to the Chinese government. Bekun et al. (2020) pointed out the trade policy as a fundamental factor for achieving sustainability in the economic affairs of any country. To achieve economic sustainability in China (Long & Ji, 2019), according to the role of effective management is critical because without effective management no country has control over the economy. On the other hand, Zhao et al. (2019) highlighted that the regulations of government according to the international scenario are critical for providing economic sustainability to the exporters of any country. The economic sustainability is dependent on

economic growth and China has significant economic growth as it is the largest exporter of goods in the world. MacDonald and Giazitzoglu (2019) likewise concluded for economic sustainability in China, the government need to regulate all the small and medium entities (SMEs) because these entities have significant impact on the economic growth of any country. Therefore, the less focused economy doesn't have opportunity to achieve the economic growth in any country.

The existing studies in the literature indicate a gap in the body of knowledge that needs to be addressed (Jucá & Fishlow, 2022). Therefore, the theoretical framework of this study is designed to determine the impact of globalization and sustainable development policy on fair trade and economic sustainability in China. Although, the prior studies have discussed different factors of sustainability in China (Sarker et al., 2019; Song et al., 2018; Wang et al., 2020; Yang et al., 2016), very limited studies have discussed the role of fair trade for economic sustainability in China. Furthermore, the earlier studies were conducted on secondary data for providing empirical evidence for the findings of the results of the study. However, this study objective is based on the primary data for the findings of the study. No doubt, Wang et al. (2011) concluded that sustainability in the economy is as must important as sustainability in the environment because both have consequences for the public. The scope of this study is limited to the economic situation in China. The theoretical implications of this study enhance the body of knowledge with literature related to the role of globalization and sustainable development policy for fair trade and economic sustainability in China. These implications would be beneficial for future researchers to understand the relationship between different variables taken in the theoretical framework of the study. On the other hand, the practical implications of this would enhance the practice for economic stakeholders in China to achieve economic sustainability with sustainable development policy and fair trade. The research presented in this study is innovative in that it sheds light on the significance of globalization and sustainable development strategy in relation to fair trade and economic development in China. Consequently, it would be advantageous for policymakers to possess dependable strategies for the advancement of sustainable development and the facilitation of equitable commerce. Along with these significant theoretical and practical implications, the future directions of this study also would enhance the understanding of the researcher to design further research by determining the gap in literature and practice.

2. Literature review

2.1. Country governance and fair trade

The governance in any country has an important role to influence the trade policy (Kuo & Chang, 2021; Wang et al., 2011; Xue et al., 2022a). MacDonald and Giazitzoglu (2019) highlighted that countries with effective governments are successful in the implementation of their trade policy in the best way. Awais et al. (2019) demonstrated that the trade policy can be reasonable and supportive for national and international trade if the government has a significant influence on it by working to boost trade. Accordingly, Song et al. (2018) disclosed that the governance of any country can influence the trade policy. In the study of Philip et al. (2022), it is discussed that the governance of any country has a significant impact on the trade

of the country. Yang et al. (2016) concluded that American trade is influenced by government policy and it is regulated on a higher level. Performance of any economy is impossible without the logical intervention of the government. Accordingly, Zhao et al. (2019) reported that the Chinese government influences the private sector and trade policy of the country. The Chinese government should develop an effective framework for a fair-trade policy without any discrimination against SMEs working in China (Liu et al., 2020). To achieve sustainability in trade and economy, Zia et al. (2021) concluded that the Chinese government needs to focus on regulating trade with responsibility for public benefit. In a similar vein, Wang et al. (2020) concluded that implementing fair trade policies is essential for enhancing any nation's economic standing.

H1. In China, country governance is a predictor of fair trade.

2.2. Country governance and economic sustainability

Economic sustainability can be achieved by the effective actions taken by the government (Anwar & Graham, 2021; Kuo & Chang, 2021; Newlands, 2021). For getting sustainability in the economy, the policy of the government should be according to the economic condition of the country highlighted by Wang and Li (2022). Following economic sustainability, the government has to regulate all the activities because unfair economic crises happened when there is no clear policy for government issues (Churchill & Craig, 2019; Muntaner, 2018). Matharu et al. (2020) discussed that for better economic conditions, the Chinese government should focus on governance. Matharu et al. (2020) demonstrated that economic sustainability is obvious when there is effective communication and coordination between the government and exporters. In Australia, there is a significant role of government in economic affairs because all the firms are under the regulations of the government (Hajar, 2022; MacDonald & Giazitzoglu, 2019; Matharu et al., 2020; Sharma et al., 2022). Indeed, the government of China is working on the trade policy for the long term (Chen et al., 2023), but there must be focus on future economic crisis and economic sustainability (Newlands, 2021). Furthermore, Muntaner (2018) highlighted that the economic condition of China is sustainable, but to grow the economy the government of China is required to focus more on SMEs because these entities have a significant influence on policy development (Singh & Singh, 2018). Achieve sustainability in the economy, the government has to play a critical role in coordinating policy development and its implementation in the best way (Kramarova et al., 2022).

H2. In China, country governance is predictor of economic sustainability.

2.3. Fair trade and economic sustainability

In the study by Cornelissen and Cholakova (2021), it is discussed that for achieving the sustainability in economy, the government has the responsibility to focus more on trade affairs (Chaofan et al., 2022). Trade activities in any country can improve the progress of the economy because a fair-trade policy is necessary for economic growth. Yingfei et al. (2021) highlighted that Ministry for Trade in Thailand has a strong belief in fair trade for economic sustainability. Moreover, these trade policies can influence the manufacturers to install new

plants and develop diversified products for exporting (Ansong, 2018; Kutaula et al., 2022). The focus on the development of the economy can be achieved by a focus on trade policies (Xue et al., 2022b). The research of Ansong (2018) disclosed that achieving economic sustainability is the goal of every country (Lee & Park, 2022), but China has a strong economy because of fair trade policies. Furthermore, the study demonstrated that fair trade has a significant impact on the economic condition of the country. The government should regulate all the transactions and economic activities to regulate the economy of any country in the best way (Wang et al., 2022a). The effective government can influence the economic condition of the country (Velenturf et al., 2018), as the government of United Kingdoms as achieved the economic sustainability (Kuo & Chang, 2021). In China, government has to focus on the trade policy for newly established working entities (Wang et al., 2011; Zahoor et al., 2022; Zhao et al., 2019).

H3. *In China, fair trade contributes to economic sustainability.*

2.4. Fair trade, country governance, and economic sustainability

The relationship between the economic condition and the government of any country can be improved by the fair-trade policy (Song et al., 2018). In Thailand and Denmark, good governance has established a fair-trade policy that is implemented to achieve economic sustainability (Damodharan & Ahmed, 2022). Likewise, the government of Norway has achieved economic growth with the help of good governance and appropriate trade policy (Awais et al., 2019; Saari et al., 2021) concluded that trade policy is the backbone of economic growth in any country, and for achieving sustainability, the government should have more attention to the implementation of fair trade policy (Zahoor et al., 2022). The studies have demonstrated that the government only is not responsible for fair trade policy, but other stakeholders have equal importance in determining economic sustainability in a realistic way (Zhao et al., 2019). Moreover, the focus on economic growth can improve trade because it is the way to achieve sustainability in it (Dung et al., 2022; Lesego & Lucas, 2022). On the other hand, the research of Wang et al. (2020) disclosed that the government of China has greater responsibility to improve trade because there is an increase in the manufacturing and production industry in China Yang et al. (2016) rightly pointed out that with fair trade policy, the government in any country can enhance the performance of economy in sustainable way.

H4. *In China, fair trade facilitates between country governance and economic sustainability.*

2.5. Country governance, globalization, and fair trade

Globalization has a significant impact on the trade policy of any government (Xue et al., 2022a). Due to globalism, the countries are in agreement with each other, and these agreements have paved the way for fair operations of the government (Wang et al., 2011; Zhao et al., 2019). Broitman and Czamanski (2021) demonstrated that globalization has changed the traditional culture and practices of the economy, because of the easy way to trade and introduced and the countries are in line to compete with each other for fair trade (Song et al., 2018). The trade policy of any country can improve the performance of the economy, if the working of the government is following global standards. In Sweden, the fair-trade policy

is implemented with the help of good governance (Choiriah & Sudiby, 2020). Sustainable economic growth is the demand of European countries (Kuo & Chang, 2021), and European Union has introduced different rules and regulations for the satisfaction of people. To achieve economic sustainability, it is recommended that the government should work according to the global standard of trade policy (Fatimah et al., 2022). In China, the government has introduced different policies and regulations for trade that are beneficial for economic growth (Choiriah & Sudiby, 2020; Wang et al., 2011; Zahoor et al., 2022), however, the government is required to focus more on alternative strategies for achieving economic sustainability in the country (Awais et al., 2019; MacDonald & Giazitzoglu, 2019; Su et al., 2022). The globalized fair-trade agreements are suited for economic growth in the contemporary markets (Bekun et al., 2020; Dar et al., 2022).

H5. *In China, globalization has moderating influence on the relationship between country governance and fair trade.*

2.6. Fair trade, sustainable development policy, and economic sustainability

The sustainable development policy in any country has significant importance for improving the sustainability of the environment and economy (Xue et al., 2022a). In modern times, the public is living in a globalized arena, and the government must provide sustainability in the economy (Sarker et al., 2019). The economic condition of any country has significant importance for economic sustainability because the government has to introduce economic policies according to the economic condition (Kuo & Chang, 2021). It is disclosed that sustainable economic policies are important for achieving economic sustainability. Similarly, Yang et al. (2016) concluded that fair trade policies are also critical for improving the economic condition of any country. In Argentina, the state government is coordinating with the exporters and importers for working on a sustainable development policy to improve the economic condition. Furthermore, Wang et al. (2020) demonstrated that the economic condition in China is well established by state policies, however, the government has to focus on economic betterment and sustainability (Xue et al., 2022a). Comparatively, the Chinese government's existing policies are advanced from the economic policies of Japan, India, Taiwan, and America. Economic sustainability can be achieved with effective measurement by the government to work on the economic policy of the country. Anwar and Graham (2021) used the introduction of the simple method of commerce and the fact that nations are lined up to compete with one another for fair trade.

H6. *In China, sustainable development policy has moderating role between fair trade and economic sustainability.*

Based on the aforementioned research hypotheses, this paper constructs the following research model (see Figure 1).

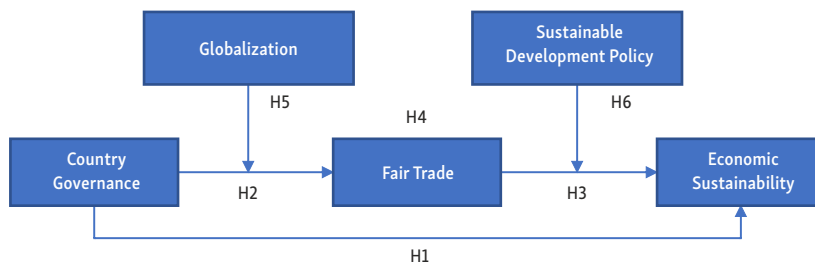


Figure 1. Research model

3. Research methodology

Most of the research in the area of social sciences is conducted on primary data because it is appropriate to get responses from the public from valid findings of study. Also, the cross-sectional data collection process is considered reasonable for collecting data in social sciences studies to conclude the studies for future implications (Fornell & Larcker, 1981). The Likert scale questionnaire is considered important for cross-section data collection of the study because it helps the respondents to answer the questionnaire of study. Similarly, the research on the Likert scale questionnaire is conducted on the survey-based method of data collection because it is an appropriate method for data collection as it consumes time and cost of the research (Fornell & Larcker, 1981). As this research is also in the domain of social science research, therefore a five-point Likert scale is considered for data collection of this study. Similarly, this study utilized a cross-sectional method of data collection from the respondents, and the survey method of data collection is adopted because it helps to reduce the time and cost of the research. Furthermore, the measurement scale for this study was adapted from earlier studies that contributed significant empirical evidence and the relationship of different variables in literature and practice. Therefore, for the validity of the measurement scale adapted from the earlier studies, Cronbach's alpha values were considered for the reliability and validity of the study. To begin with, the measurement scale for country governance was adapted from Beshi and Kaur (2020) to determine the way the government influences the economic policy of China. Furthermore, the scale items were used for measurement in the context of sustainability in the previous studies. These scale items were valid for this study because Cronbach's alpha value for these measurement items was 0.817 which is significant and disclosed the reliability and validity of the items. Therefore, these scale items were incorporated into the study's questionnaires to determine the impact of country governance on fair trade and sustainability in the economy of China. Secondly, the measurement scale for globalization was adapted to determine the way globalization has influence on the economic policy of China (Nguyen & Ngo, 2022). Moreover, the scale items were used for measurement in the context of sustainability in the previous studies. These scale items were valid for this study because the Cronbach's alpha value for these measurement items were 0.934 that is significant and disclosed the reliability and validity of the items. Hence, these scale items were incorporated in study's questionnaires to determine the impact of globalization on fair trade and sustainability in economy of China. Thirdly, the measurement scale for fair trade

were adapted from Fang (2008) to determine the way fair trade influences the economic policy of China (Anh et al., 2022). Also, the scale items were used for measurement in the context of sustainability in the previous studies. These scale items were valid for this study because Cronbach's alpha value for these measurement items was 0.894 which is significant and disclosed the reliability and validity of the items. Thus, these scale items were incorporated into the study's questionnaires to determine the impact of fair trade on sustainability in the economy of China. Fourthly, the measurement scale for sustainable development policy was adapted from Ouedraogo (2017) to determine the way sustainable development policy influences the economic policy of China. Likewise, the scale items were used for measurement in the context of sustainability in the previous studies. These scale items were valid for this study because Cronbach's alpha value for these measurement items was 0.807 which is significant and disclosed the reliability and validity of the items. Therefore, these scale items were incorporated into the study's questionnaires to determine the impact of sustainable development policy on sustainability in the economy of China (Pahasing et al., 2022; Wang, 2022). Lastly, the measurement scale for economic sustainability was adapted from Gericke et al. (2019) to determine the way economic sustainability influences the economic policy of China. Importantly, the scale items were employed for measurement in the context of sustainability in the earlier studies. These scale items were valid for this study because Cronbach's alpha value for these measurement items was 0.881 which is significant and disclosed the reliability and validity of the items. Thus, these scale items were incorporated into the study's questionnaires to determine the impact of economic sustainability on in the relationship with fair trade and sustainable development policy. The scale items are provided in Appendix. The data collection method is critical for any study to get the appropriate response from the participants for results of the study. This study is based on the economic sustainability in China, and the prior research on economic sustainability and economic crisis on China was conducted with random sampling technique (Kuo & Chang, 2021; Xue et al., 2022a). Furthermore, the respondents of earlier studies on sustainability were the public in China. In line with the methodology of these studies, this study also collected data from public. Hence, the people have equal trait, a data collected by random sample would be appropriate. The opinions of experts were also taken to select public as a population. Therefore, this study also used random sampling method for data collection for the findings of this study on the guidelines of previous studies. According to Fornell and Larcker (1981), data collection from the general public with a random sampling technique is appropriate if the research is related to public issues. In this regard, the general public was the appropriate respondent for this study. Moreover, the response rate is critical for the validity of the results of the study. Fornell and Larcker (1981) highlighted that a response rate of 50% is critical for social science studies that are based on primary data. For this study, 2000 printed questionnaires were surveyed to the respondents of the study with a random sampling technique of data collection. The respondents of the study were introduced with the purpose and hypotheses of the study to get the valid response from them. They were also introduced with the variables of the study that are incorporated in the research model of the study. Likewise, after clear understanding to the questionnaire and study purpose, the participants were ensured that their personal information would not be shared with anyone else, because it is limited to the objective of

the study. Furthermore, the respondents were facilitated to fill the questionnaires. However, 1953 questionnaires were collected back from the respondents for data analysis of the study to check the significance of study hypotheses. From 1953 questionnaires, 879 were not filled completely, so these questionnaires were no included in final data. Therefore, the remaining 1074 responses were considered for the data analysis of the study. In this way, the response rate of the study questionnaires was 55% that is appropriate and accepted for this one study because it is greater than the recommended response rate of 50% by Fornell and Larcker (1981). Therefore, the study data is valid in getting response because the Chinese public responded to this study in the effective way for better economic condition of the country.

4. Results

4.1. Measurement Model – AMOS

In this research, to check the reliability and validity of the constructs, confirmatory factors analysis was used. To begin with, according to Nunnally (1994) the recommended threshold for reliability and validity is $\alpha = 0.70$. According to Table 1, Cronbach's alpha values for each construct were greater than 0.70. The factor loadings for each scale item were greater than 0.70 as the threshold is 0.40 recommended by (Nunnally, 1994). Therefore, this study has clear validity and reliability.

Table 1. Results of exploratory factor analysis

Constructs	Cronbach's Alpha	Factor Loadings
Country Governance	0.917	0.712
		0.721
		0.723
		0.823
		0.823
Fair Trade	0.874	0.824
		0.926
		0.915
Economic Sustainability	0.893	0.988
		0.792
		0.720
		0.842
Sustainable Development Policy	0.973	0.974
		0.912
		0.873
Globalization	0.911	0.871
		0.843
		0.835
		0.716

For this study, Fornell and Larcker (1981) proposed discriminant validity as reliable for checking the distinction between the study variables. Furthermore, the AVE for study constructs must be higher than the squared correlation between the construct and any of the other constructs. The results of this study demonstrate that there is clear discriminant validity in the study's constructs (Table 2). Furthermore, convergent validity determines the extent to which factors that ought to measure a single construct agree with each other. Also, convergent validity was measured by employing composite reliability (CR) and average variance explained (AVE). Using these measures, CR should be above 0.6 and AVE should be above 0.5 for all constructs. Moreover, these values recommend that there is clear discriminant validity in the study.

In the same way, measurement model fit was determined by root to mean square of approximation (RMSEA), absolute fit measures including observed normed, Standardized Root Mean Square Residual, Comparative Fit Index, Normed Fit Index, Goodness of fit, and Adjusted Goodness of fit. In this regard, all the fit indices met the recommended thresholds for evaluating model fit (see Table 3).

4.2. Structural model – AMOS

In this study, the standard path coefficients were used to determine the results of the study's hypotheses (see Table 4). To begin with, country governance has a significant impact on fair trade ($\beta = 0.329$; $p = 0.000$) and the first hypothesis is significant. Secondly, country governance has a significant impact on economic sustainability ($\beta = 0.419$; $p = 0.000$) and

Table 2. Reliability, validity statistics, and correlations

	CR	AVE	MSV	MaxR(H)	CG	FT	ES	GL	SDP
CG	0.839	0.698	0.578	0.884	0.878				
FT	0.778	0.697	0.592	0.883	0.573***	0.8961			
ES	0.893	0.687	0.563	0.814	0.693***	0.609***	0.787		
GL	0.797	0.691	0.574	0.942	0.843***	0.576***	0.716***	0.822	
SDP	0.791	0.686	0.542	0.993	0.892***	0.564***	0.911***	0.789***	0.813

Table 3. Fit indices of CFA model

Measure	Recommended Threshold	Abbr.	Scores
Chi-square/df (CMIN/DF)	<3.0	2/df	2.234
Comparative Fit Index	>0.90	CFI	0.94
The Normed Fit Index	>0.90	NFI	0.92
Goodness of fit	>0.90	GFI	0.78
Adjusted Goodness of fit	>0.80	AGFI	0.79
Root Mean Square Residual	<0.08	RMR	0.08
Standardized Root Mean Square Residual	<0.08	SRMR	0.06
Root Mean-Square Error of Approximation	<0.08	RMSEA	0.07

Table 4. Standard path coefficients

Hypotheses	Relationship	estimate	t-value	p-value	results
Direct	Country Governance -> Fair Trade	0.329	3.696	0.000	Significant
Direct	Country Governance -> Economic Sustainability	0.419	5.371	0.000	Significant
Direct	Fair Trade -> Economic Sustainability	0.433	4.706	0.000	Significant
Mediation	Country Governance -> Fair Trade -> Economic Sustainability	0.198	6.387	0.000	Significant
Moderation	Globalization * Country Governance -> Fair Trade	0.127	5.772	0.000	Significant
Moderation	Sustainable Development Policy * Fair Trade -> Economic Sustainability	0.187	10.388	0.000	Significant

the second hypothesis is significant. Thirdly, fair trade has a significant impact on economic sustainability ($\beta = 0.433$; $p = 0.000$) and the third hypothesis is significant. Fourthly, fair trade significantly mediates the relationship between country governance and economic sustainability ($\beta = 0.198$; $p = 0.000$) and the fourth hypothesis is significant.

Fifthly, globalization significantly moderates the relationship between country governance and fair trade ($\beta = 0.127$; $p = 0.000$), and fifthly hypothesis is significant. The results of this study further demonstrate that the moderating role of globalization in the relationship between country governance and fair trade is positive and it strengthens the relationship of both variables (see Figure 2).

Lastly, sustainable development policy moderates the relationship between country governance and fair trade ($\beta = 0.127$; $p = 0.000$) and the fifth hypothesis is significant. Hence, all the hypotheses of the study are significant. The findings of this research further reveal that the moderating role of sustainable government policy between the relationship of fair trade and sustainable economy is positive and it strengthens the relationship of both variables (see Figure 3).

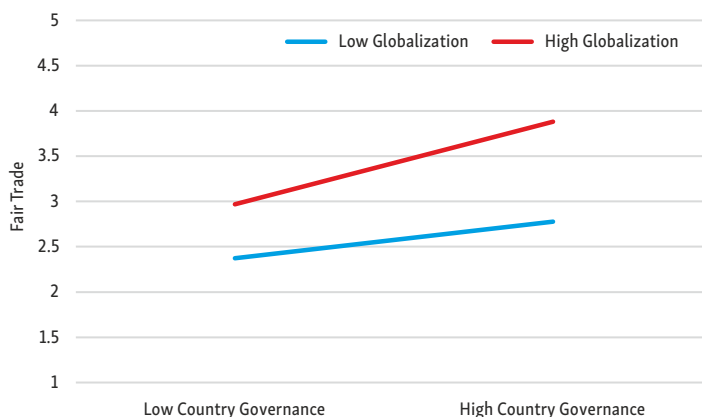


Figure 2. Globalization * Country Governance -> Fair Trade

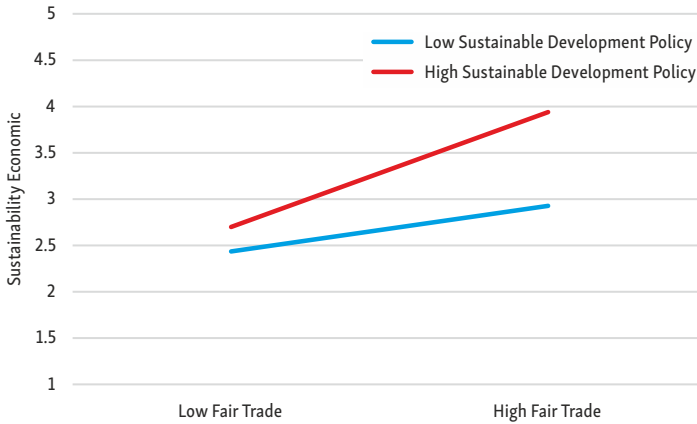


Figure 3. Sustainable Development Policy * Fair Trade -> Economic Sustainability

5. Discussion

The purpose of this study is to determine the impact of globalization and sustainable development policy on fair trade and economic sustainability in China. Furthermore, this study introduced a new framework related to economic sustainability in the body of knowledge. AMOS was employed to determine the results of this study. According to the results of hypothesis 1, there is a significant relationship between country governance and fair trade. The findings of this study validate the results of earlier studies conducted on trade in the world (Kuo & Chang, 2021; Xue et al., 2022a). Furthermore, the introduction of this relationship in the body of knowledge is effective for future research (Zhao et al., 2019). Any country's government plays a significant role in influencing its trade policies (Song et al., 2018). Nations with successful governments implement their trade policies most effectively. Xue et al. (2022a) proved that, if the government has substantial influence over it and works to increase commerce, trade policy can be logical and favorable for both domestic and international trade. Yang et al. (2016) thus, revealed that every nation's government might affect its trade strategy. The governance of every nation has a substantial impact on its trade. Basri and Siam (2019) concluded that higher-level regulation and government policy both influence American commerce (Wang et al., 2022b). According to the results of hypothesis 2, there is a significant relationship between country governance and economic sustainability. Likewise, the findings of this study validate the results of earlier studies conducted on the sustainability of the economy (Song et al., 2018). Also, the introduction of this relationship in the body of knowledge is effective for future research. Economic sustainability can be attained by the government's efficient efforts. Government policy should be in line with the economic situation of the nation outlined by Kuo and Chang (2021) in order to achieve economic sustainability (Sajnog & Rogozińska-Pawelczyk, 2022; Zinecker et al., 2022). The government must control all activities to ensure economic sustainability because an unfair economic crisis occurred when there was no clear policy for dealing with government matters (Philip et al., 2022). Bekun et al. (2020) suggested that the Chinese government concentrates on governance to

improve the country's economic situation. Clauß et al. (2022) provided evidence that clear economic sustainability results from efficient cooperation and communication between the government and exporters. Because all businesses in Denmark are subject to government rules, the government has a considerable influence in economic matters (Shafi et al., 2022). According to the results of hypothesis 3, there is a significant relationship between fair trade and economic sustainability. The findings of this study validate the results of earlier studies conducted on economy in different countries of the world. Furthermore, the introduction of this relationship in the body of knowledge is effective for future research. The government must give trade matters greater attention if it wants to achieve economic sustainability. A fair-trade policy is required for economic growth, so trade activities in any nation can advance the economy discussed by Basri and Siam (2019). MacDonald and Giazitzoglu (2019) emphasized that the Thai Ministry of Trade strongly supports fair trade for long-term economic viability. Additionally, these trade policies may stimulate the producers to build new facilities and create a variety of items for exports (Xue et al., 2022a). Focusing on trade policies, according to Song et al. (2018), will help the economy grow. Every nation wants to achieve economic sustainability but China has a robust economy thanks to its fair-trade regulations. According to the results of hypothesis 4, there is significant mediation of fair trade in the relationship between country governance and economic sustainability. Additionally, the findings of this research validate the findings of past studies conducted on the sustainability of the economy (Basri & Siam, 2019; Zia et al., 2021). Besides, the introduction of this relationship in the body of knowledge is effective for future research. The fair-trade policy can enhance the interaction between a nation's government and its economic situation. Good governance in Thailand and Denmark has produced a fair-trade strategy that is put into practice to ensure economic sustainability. Similar to other governments, the Norwegian government has achieved economic growth through sound governance and sensible trade policy (Awais et al., 2019; MacDonald & Giazitzoglu, 2019). Wang et al. (2020) concluded that trade policy is the foundation of economic progress in any nation and that the government should pay greater attention to the execution of fair-trade policy to achieve sustainability. Zhao et al. (2019) showed that other stakeholders are equally important in realistically defining economic sustainability and that the government is not the only one responsible for fair trade policy. According to the results of hypothesis 5, there is a significant moderating role of globalization between country governance and fair trade. In this way, the results of this research validate the results of prior studies conducted on governance issues for trade. Still, the introduction of this relationship in the body of knowledge is effective for future research. Any government's trade strategy is greatly impacted by globalization. Globalization has led to agreements between nations, and these accords have made it possible for the government to function fairly. Anwar and Graham (2021) used the introduction of the simple method of commerce and the fact that nations are lined up to compete with one another for fair trade to show how globalization has altered traditional culture and economic practices. Any nation's trade strategy has the potential to boost economic growth if its governance adheres to international best practices (Barić, 2017). Good governance aids in the implementation of the fair-trade policy in Sweden (Gujrati, 2017). According to the results of hypothesis 6, there is a significant moderating role of sustainable development policy between fair trade and economic sustainability. In addition,

the findings of this research validate the outcomes of past studies conducted on sustainable policy development for economy (Wang et al., 2011; Xue et al., 2022a). Moreover, the introduction of this relationship in the body of knowledge is effective for future research. Any nation's sustainable development policy is crucial for enhancing the viability of its economy and environment. The government must ensure economic sustainability because the general public now lives in a globalized environment. Because the government must establish economic policies in accordance with the economic condition, the economic health of every nation is crucial for economic sustainability. The study by reveals the significance of sustainable economic policies in achieving economic sustainability. In a similar vein, Wang et al. (2020) came to the conclusion that implementing fair trade policies is essential for enhancing any nation's economic standing.

6. Conclusions and implications

This research has introduced a new relationship into the framework of economic sustainability for promoting economic sustainability with further factors. Therefore, both theoretical and practical implications of this study are noteworthy for improving the economy of China. On the one hand, the research introduced the relationship between fair trade in a sustainable economy because this relationship was not discussed in earlier studies. The study highlighted that fair trade is an important factor and it must be considered effective in the economic growth of the country as with fair trade economic sustainability is possible. Similarly, this study has introduced the moderating relationship of sustainable development policy in the relationship between fair trade and economic sustainability. This relationship was not discussed in the earlier studies on sustainability in the economy. In this regard, this research demonstrates that economic sustainability can be achieved if the government of any country is working to promote the economy productively. The government's economic policies have a significant impact, and it moderates the relationship between fair trade and a sustainable economy. Furthermore, this study has introduced the role of country governance for fair trade in moderating the relationship of globalization. Indeed, the research demonstrated that to the achievement of fair trade, the government should focus on the globalized policies established in different countries for getting maximum trade. The moderating role of globalization has significant importance in literature because due to globalization, different countries are changing their trade and other policies. Importantly, this research contributes a significant conceptual framework to the body of knowledge that is explaining the relationship between significant variables. In this way, the conceptual framework of this study would provide a detailed explanation for future researchers to understand the relationship between different variables and determine the gaps in the literature for further research. On the other hand, the practical implications of this study are also noteworthy because these implications have a significant impact on improving the economy of China with sustainable growth. The findings of this study disclosed that the Chinese economy is growing but it needs sustainability in the growth to achieve maximum benefit. Therefore, the responsibility of the Chinese government is to provide fair trade opportunities to the government and private corporations to enhance business practices in multiple markets. Furthermore, the country government in China has a

major responsibility to regulate all the trade activities that are significant to handle for the Chinese economy. Furthermore, the Chinese government needs to focus on the laws that are implemented worldwide for fair trade because, with the help of these laws, it would be more appropriate to deal with different laws effectively. Indeed, the performance of trade in any country can be improved by adopting international trade laws, therefore the responsibility of the government is to deal with international trade laws effectively. Likewise, the sustainability of the Chinese economy is possible with the effective development of sustainable economic policies by the government. If the government policies are appropriately working, then there would be more opportunities for Chinese businesses to conduct operations in a globalized and more systematic economy. The Chinese government can achieve sustainability in the economy if the government develops economic policies with global economic norms and the cooperation of Chinese economic stakeholders. The respondents from all areas of businesses and trades must join hands with the Chinese government and join hands with each other to enhance government practices for sustainability in the economy. In this regard, the Chinese economy would be stable and the growth in the Chinese economy would be enhanced. As result, the foreign direct investment in China would be increased because the business firms want to extend their branches in a stable economy to maximize their profit.

Lastly, it is also imperative to establish effective governance by analyzing procedures and outcomes to fulfill economic sustainability. Institutional dimension is pivotal for good governance and build conducive environment for sustainable development mechanisms. This also empowers governments to take full participation in development plans in responsible manner. It is also advised to refine governance mechanism in order to achieve sustainable development. Country's governance also has a substantial effect on economic as well as social and environmental sector. Thus, practitioners are suggested to scrutinize rules and policies regularly in order to offer peace and justice to citizen and safeguard their property rights. General public should also be having more knowledge of public governance and its role in economic progress.

6.1. Limitations and future directions

Although, the theoretical framework of this study is designed to determine the impact of globalization and sustainable development policy on fair trade and economic sustainability in China. Importantly, this research concludes that globalization and sustainable development policy have a significant impact on fair trade and economic sustainability in China. Furthermore, this study introduced a new framework related to economic sustainability in the body of knowledge. Yet, this study has certain limitation that needs to be addressed by future studies. To begin with, this study is limited to determining the impact of country governance on fair trade, in this regard, future research may determine the impact of corporate governance and financial status of SMEs on fair trade because this gap is not addressed by the earlier studies. Secondly, the findings of this study are determined with primary data and the respondents were Chinese people. Therefore, future research could use secondary data for the findings of the study to validate this study's results and contributes to empirical evidence. Lastly, the moderating role of globalization is tested in the relationship between country

governance and fair trade. However, in future research, the moderating role of contemporary market competition may be studied in the relationship between country government and fair trade in China. In this way, future directions are mightily recommended based on research gaps for further studies on economic sustainability in China.

Availability of data and material

The datasets generated during and/or analyzed during the current study are available from the corresponding author on reasonable request.

Competing interests

The authors declare that they have no competing interests.

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APPENDIX

Constructs	Description
Country Governance	Public authorities in the country administration are acting in the interest of the public.
	Public authorities in the country's administration are capable.
	Public authorities in the country administration carry out their duties effectively.
	Public authorities in the country's administration are sincere.
	Public authorities in the country administration are honest.
Fair Trade	The distributors and retailers all know each other fairly well.
	The retailers and distributors maintain frequent face-to-face communications with each other.
	Most of the distributors and retailers are actively involved in their professional associations.
Economic Sustainability	Economic development is necessary for sustainable development.
	Improving people's health and opportunities for a good life contribute to sustainable development.
	Sustainable development demands that we humans reduce all sorts of waste.
	Respecting human rights is necessary for sustainable development.
Sustainable Development Policy	Reducing water consumption is necessary for sustainable development.
	Preserving the variety of living creatures is necessary for sustainable development (preserving biological diversity).
	For sustainable development, people need to be educated on how to protect themselves against natural disasters.
Globalization	Due to globalization, the technological development speed of the production processes in the industry has increased much.
	Due to globalization the purchasing power of the customer's increases.
	Due to globalization, new markets emerge.
	Due to globalization, markets expand.