

<b>Institution: University of Nottingham</b>
<b>Unit of Assessment: UOA27b</b>
<b>Title of case study: China's Economic Development: Enhancing Understanding and Influencing Policy and Practice (Case Study 3)</b>
<p><b>1. Summary of the impact</b></p> <p>The University of Nottingham's School of Contemporary Chinese Studies (SCCS) has, through its China Policy Institute (CPI), been at the forefront of explaining the crucial lessons of China's journey towards economic superpower status. By shedding light on major concerns such as the labour and housing markets, best practices in statistics, the banking system and future "growth engines", it has influenced policy in a number of Chinese ministries, the country's National Bureau of Statistics and the People's Bank of China. It has also assisted in training a new generation of Chinese officials, highlighted methodologies that are now being applied to other emerging economies and raised awareness of key issues at grass-roots level.</p>
<p><b>2. Underpinning research</b></p> <p>China's post-reform journey from isolationism is undoubtedly the economic story of the late 20th and early 21st centuries. Research by the SCCS has aimed to lead the way in chronicling and interpreting this remarkable rise to help policymakers, officials and other stakeholders grasp the valuable lessons of a transition of genuinely global significance.</p> <p>To provide an alternative to the study of China via traditional Sinology by using social sciences methodologies to study contemporary concerns was the <i>raison d'être</i> behind the founding of the School in 2007. Related strands of research led by Professor Lina Song, who specialised in labour economics and poverty alleviation, and Professor Shujie Yao, who focused on macro-economics and finance, have complemented each other in impacting upon policymaking in China.</p> <p>Song joined the University in 1999 to further her earlier research into the disparities arising from China's economic revolution. Her first book on the subject, <i>The Rural-Urban Divide</i>, examined the enduring gulf between China's urban and rural populations in terms of income, education, healthcare and housing [1]. She established that fiscal decentralisation had resulted in a greater dispersal of power, heightening the potential for policies reflecting different economic interests, and that many official strategies deliberately favoured the urban population to guard against its latent political power.</p> <p>Subsequent research expanded on these themes by investigating the evolution of China's labour market, focusing on issues such as increased workforce mobility, changes in the distribution and structure of wages and the growth of rural migration. Assessing the obstacles to its success, Song warned China's labour market would remain "imperfect and incomplete" in the absence of further enterprise and social reforms. Much of this work was summarised in the award-winning book "Towards a Labour Market in China" [2]. More recently, in research published in 2010, Song explored long-term trends in the country's levels of urban poverty, concluding that they had fallen almost entirely as a result of economic growth rather than government anti-poverty programmes [3].</p> <p>The global financial crisis that began in 2007 opened up important new avenues of research, with Yao among the first to explain how the turmoil in the West accelerated China's ascent. A series of publications between 2007 and 2009 addressed the key issues of China's rise as an economic superpower and the need to reduce inter-regional inequalities through the strategic deployment of foreign direct investment (FDI) and the creation of new "growth engines". Significantly, Yao demonstrated that FDI itself should not be blamed for rising inequalities: rather, its uneven distribution was responsible for increasing disparities between regions [4].</p> <p>Building on his work on the threats and opportunities facing China in a post-crisis landscape, in 2009 Yao conducted a detailed comparison of the Chinese and American housing markets to determine the likelihood of China suffering a US-style crash. This research highlighted the risk posed by the relative underdevelopment of China's financial system, especially in terms of credit monitoring and asset securitisation [5]. Extending this theme, in 2011 he assessed the health of the country's state-owned banks, highlighting how restructuring into shareholding companies could improve both technical efficiency and scale economies but warning that risk management would need to be improved to deal with a volatile business environment [6].</p> <p><b>Key Researchers:</b></p> <p><i>Shujie Yao</i> is Professor of Economics and Chinese Sustainable Development and Head of SCCS</p>

since 2007.

*Lina Song* is Professor of Economic Sociology and Chinese Studies at the School of Sociology and Policy (2002-12) and at SCCS since 2012, both at the University of Nottingham.

**3. References to the research** (indicative maximum of six references)

1. John Knight and Lina Song (1999a): *The Rural Urban Divide, Economic Disparities and Interactions in China*, New York & Oxford: Oxford University Press, ISBN 0-19-829330-5
2. John Knight and Lina Song (2005): *Towards a Labour Market in China*, New York and Oxford: Oxford University Press, ISBN 0-19-924527-4 (awarded 2005 Richard A Lester Prize for Outstanding Book in Labour Economics and Industrial Relations)
3. Simon Appleton, Lina Song and Qingjie Xia (2010): *Growing out of Poverty: Trends and Patterns of Urban Poverty in China, 1988-2002*, *World Development*, 38(5), 665-678
4. Wei Kailei, Shujie Yao and Aying Lui (2009): 'Foreign Direct Investment and Regional Inequality in China', *Review of Development Economics*, 13(4), 778-791
5. Shujie Yao, Dan Luo and Stephen Morgan (2010): 'Impact of the US Credit Crunch and Housing Market Crisis on China', *Journal of Contemporary China*, 19(64), 401-417
6. Dan Luo, Shujie Yao, Jian Chen and Jianling Wang (2011) 'World Financial Crisis and Efficiency of Chinese Commercial Banks' *The World Economy*, 34(5), 805-825. doi: 10.1111/j.1467-9701.2011.01354.x

**Selected grants that underpin the research conducted:**

- 2011-2012. ESRC Research Grant (RES-238-25-0035): £100,143 (PI: Song). Project title: "The Impacts of Fall in Exports on Livelihoods in China: Urban Unemployment, Rural Poverty and the Welfare of Rural-urban Migrants" (ESRC evaluation report not yet available)
- 2011-2014. European Commission: £66,000 (CIs: Song and Yao). As subject experts for Europe China Research and Advice Network
- 2006-2011. Ford Foundation \$144,000 (PI: Song). Project title: "Poverty, Migration and Public Health in China"
- 1st April 2000 – 31st March 2002. Department for International Development, DfID (UK) Research Grant £140,000 (PI: Song). Project title: "New Urban Poverty in China: Redundancy, Unemployment and Rural-urban Migration"

**4. Details of the impact**

The SCCS has greatly enhanced the understanding of China's post-reform rise beyond academia. Its academics have repeatedly helped influence policy in China underpinning the country's continuing economic transformation.

Song's work in the field of urban-rural integration and urban poverty has helped China's Ministry of Human Resources and Social Security to formulate policy, including the establishing of new migrant training programmes. Following the publication of a report in 2010 in which Song proposed a scholarship system to fund young migrant workers, training programmes were established and are currently being trialled in Tianjin, one of the four "Special Municipalities" that enjoy super-provincial status [a]. In 2011 Song was also asked to assess the Sichuan government's public employment services. Her recommendations, centred on migrant workers and economic stimulus in rural regions and drawing on her work on migrant workers and economic stimulus in rural region, have since been put into effect, as has a training programme for officials. Liu Danhua, Director General of the Ministry's Department of Employment Promotion, has acknowledged Song's "in-depth understanding of... [the] issues concerning us most in the policymaking process" and her "highly valued... innovative suggestions" [a].

Yao's research on inter-regional inequalities and housing has significantly influenced the work of China's National Bureau of Statistics (NBS). Since 2007 and throughout the impact period a key element of NBS's Urban Household Survey has been Yao's recommendation to include in its data rural migrant households that have lived in cities for more than six months, so offering a more accurate picture of the true urban situation. In August 2010 NBS Commissioner Ma Jiantang and a team of senior officials visited Nottingham to seek Yao's views on how to calculate and publish various coefficients related to inequalities, as a result of which it was agreed to implement his recommendations for at least a decade. Wang Youjuan, Deputy Director General of NBS's Department of Household Surveys, has acknowledged Yao's "direct and powerful impact on the decision-making process in China", with his ideas used "to write our policy reviews for the Chinese Government" [b].

## Impact case study (REF3b)

In September 2011, in recognition of his work on China's economic growth and banking sector, Yao was invited to meet Vice Premier Wang Qishan, People's Bank of China governor Zhou Xiaochuang and various ministers responsible for economic affairs. Although confidentiality considerations mean full details of the meeting cannot be disclosed, the then Chinese Consul General in Manchester, Ni Jian, who facilitated the meeting, has confirmed Yao's views on exchange-rate policy and its potential role in continued economic growth were "taken seriously by Chinese leaders and the People's Bank"[c]. From 2008 to 2011 Yao also gave twice-yearly lectures to Ni's staff. Ni, now China's Ambassador to Iraq, has confirmed he has subsequently "adopted some of his [Yao's] ideas when we [the Chinese government] deal with investment and trade issues between China and the UK and between China and the Middle East" [c].

Yao has also contributed to policy debates via his collaborations with the Institute of Science and Technological Information of China (ISTIC). Attached to the Ministry of Science and Technology, ISTIC has drawn on his work in areas including economic growth, trade and investments and income distribution. Zhao Zhiyun, ISTIC's Vice-President and also Secretary General of the Association of Soft Science of China (ASSC), has observed: "[Yao's] work has helped the efficiency of Chinese public policy, senior management... and other key stakeholders across China." In 2012 ASSC appointed Yao an Honorary Special Adviser [d].

SCCS has also helped develop China's next generation of policymakers. Since 2009 more than 50 mid-ranking officials from the Communist Youth League have received training as part of the CPI's annual Chevening Training Programme led by Yao. Han Liqun, Vice-President of the All-China Youth Federation of Hebei Province, who led one of the teams trained at the School, acknowledged that the programme had "critically changed our thinking and decision-making", particularly in poverty alleviation – drawn from Song's work – and also in energy efficiency and pollution reduction in Hebei [e].

SCCS's expertise on economic development is now being employed in other countries. In December 2012 the UK's Department for International Development (DFID) asked Song to apply her methodologies and insights to Africa with a view to filling "significant gaps in our understanding of the role of policy to stimulate growth in low-income countries". This resulted in Song designing a number of dedicated projects to determine the lessons Africa might learn from the successes and failures of China's development policies [f]. In May 2011 both Song and Yao were also appointed Key Experts for the EU-China Research and Academic Network, a €2.5m European External Action Service project whose input is regularly referenced in the EU's China-related policies [g].

An outreach campaign has communicated SCCS's economic research to a broader audience. Yao's blog [h], first launched in April 2010 by Beijing-based finance and economics publication Caijing, has now attracted more than a million hits and has been joined by blogs for mainstream websites such as Sohu, Sina, Ifeng and NetEase. Feedback shows how these efforts have informed grass-roots perceptions. According to Han Yao's blog has "helped many people understand the current challenges, constraints and opportunities faced by China for its social and economic development" [e].

##### 5. Sources to corroborate the impact (indicative maximum of 10 references)

- a. Letter of support from Liu Danhua, Director General, Department of Employment Promotion, Ministry of Human Resources and Social Security, June 10 2013
- b. Letter of support from Wang Youjuan, Deputy Director General, Department of Household Surveys, National Bureau of Statistics, May 21 2013
- c. Letter of support from Ni Jian, former Consul General, Chinese Consulate General, Manchester, May 8 2013
- d. Letter of endorsement from Zhao Zhiyun, Vice-President, Institute of Science and Technological Information of China, and Secretary General, Association of Soft Science of China, April 20 2013
- e. Letter of support from Han Liqun, Vice-President, All-China Youth Federation of Hebei Province, May 10 2013
- f. Terms of reference for DFID research project, China's Development Lessons for Low-Income Africa, January 18 2013 (available on request)
- g. Launch of EU-China Research and Academic Network, featuring presentation by Song and Yao as Key Experts, May 25 2011  
[http://www.euecran.eu/\\_blog/ECRAN\\_-\\_Past\\_Events/post/ECRAN\\_Launch\\_Event\\_-\\_Brussels/](http://www.euecran.eu/_blog/ECRAN_-_Past_Events/post/ECRAN_Launch_Event_-_Brussels/)
- h. Caijing blog (in Chinese) <http://blog.caijing.com.cn/yaoshujie>.