



**Leverhulme Centre**  
for Research on Globalisation and Economic Policy

## Education as vital as infrastructure for continued growth

Conference briefing

**China's hinterland needs to invest in education as well as infrastructure to continue to attract foreign direct investment, a major international conference has been told.**

The country's central and western regions have enjoyed far less FDI than its eastern coastal area in the course of the sweeping economic reforms of the past 30 years.

But in 2008 the hinterland finally experienced a dramatic boost, with FDI flows to the central and western regions rocketing by 102.8% and 139.3% respectively.

Now policymakers need to think carefully about how they go about maintaining the surge, delegates at GEP in China's second annual conference, The Global Financial Crisis, were told.

Dr Chang Liu, a Lecturer in International Business at Nottingham University Business School China, presented his study, Financial Crisis and FDI's Interest in China's Hinterland, at the event.

Using data from the China City Statistical Yearbooks from 1999 to 2007, he examined what kinds of infrastructure investment helped encourage foreign firms' interest in almost 100 hinterland cities.

Transport infrastructure was measured by the area of paved road per capita in a city, while the standard of communications was gauged by the number of land phone users per 10,000 of the population.

The government's investment in improving local education infrastructure, meanwhile, was measured by the number of students enrolled in third-level education per 10,000 of the population.

As expected, the study found that improving transport

links and information/communication levels was crucial to attracting FDI.

But investing in education also proved to be "highly correlated" with inflows – unlike investing in municipal care or cultural and recreational facilities.

Dr Liu said: "Since the launch of the Western China Development Strategy in 2000 and the Central China Rising Strategy in 2004, huge amounts of capital have been spent on improving infrastructure.

"The transportation sector has received most of the investment, while the education sector has received much less by comparison.

"Yet our study indicates investment in improving local education can attract more FDI flows compared to investment in improving transportation."

In 2000, at the Ninth National People's Congress, then-Premier Zhu Rongji announced five focal points for developing the western region:

- Accelerating infrastructure construction – especially in, among others, transportation and communication
- Strengthening ecological and environmental protection
- Adjusting the industrial structure to give priority to industries with market prospects
- Developing technology and education and accelerating personnel training

- Deepening reforms and openness by adopting policies to attract domestic and international funds, technology and management experience.

A similar framework was used when proposals to support the central region were unveiled four years later.

In light of the study's findings, said Dr Liu, government should consider shifting the emphasis when allocating future resources to further the hinterland's cause.

"Our first suggestion to policymakers would be to recognise that investment in education is just as important as improving economic infrastructure," he told the conference.

Leading economists from around the globe attended the event, held at the University of Nottingham, Ningbo, to discuss a variety of issues arising out of the seismic financial shocks that began in the middle of 2007.

Topics addressed included how nations can respond to a collapse in exports, how they might recover from the slump and China's likely future role in the wake of worldwide economic meltdown.

### About GEP

GEP is based at the University of Nottingham and is substantially funded by grants from the Leverhulme Trust.

In January 2008 it opened GEP in Malaysia at the University of Nottingham's purpose-built Semenyih campus, 30km from Kuala Lumpur.

In November 2008 it launched GEP in China at the University of Nottingham, Ningbo, China.

GEP is keen to promote its research work and is committed to communicating its expertise through the media and to assisting journalists whenever able.

Website: [www.gep.org.uk](http://www.gep.org.uk)

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## GEP IN CHINA: THE GLOBAL FINANCIAL CRISIS

### Conference delegates included:

Professor David Greenaway, University of Nottingham

Professor Shujie Yao, University of Nottingham

Professor Tony Venables, University of Oxford

Professor Wing Thye Woo, University of California, Davis

Professor Bob Anderton, European Central Bank

Professor Jiadong Tong, Nankai University

Professor Lina Song, University of Nottingham

Professor Xianguo Yao, Zhejiang University

Dr Spiros Bougheas, University of Nottingham

Professor Innwon Park, Korea University

Professor Doug Nelson, Tulane University

Dr Guanghua Wan, Asian Development Bank

Professor Alan Duncan, University of Nottingham

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