

A New Stage of China's Economy and the New Practice of Binhai New Area Development and Opening Up

Gang Liu

Abstract China's economic and social development has entered a new developmental stage. The traditional economic developmental model, driven by comparative advantages and "factor rent", has laid bare a series of problems and drawbacks while bringing about the rapid growth and development of China's economy for 30 years. Sustained economic and social development requires new driving forces during the new developmental stage. How to seek out a new developmental model driven by competitive advantages and "innovation rent" in the new round of reform and opening up is an issue which must be addressed first during the new stage. After 2005, the national comprehensive reform pilot areas represented by Shanghai's Pudong, the Binhai New Area of Tianjin and the Shenzhen Special Zone were launched, which was the preliminary attempt made by the State to explore a new developmental model. Since the development and the opening up of the Binhai New Area of Tianjin was incorporated into the national overall developmental strategy, with a focus on building a research and development transformation base, many new beneficial practices have been carried out in exploring a new developmental model, and the resulting new experience is of positive inspirational significance for China's economic development.

Keywords New stage of the economy • Factor rent • Innovation rent

30 years ago—at the end of 1978, China seized the historical opportunity offered by economic globalization to achieve sustained and rapid economic and social development in China by carrying out market-oriented reforms of the economic system and the opening up policy. With the 30-year-long rapid economic growth and development, China has entered a new developed stage amid new changes in the domestic and international environment in the 21st century. The disadvantages

Liu Gang (1965—), Deputy Director, Professor, Nankai Institute of Economics

G. Liu (✉)
Binhai Development Research Institute, Nankai University, 300071 Tianjin, China

and drawbacks of the traditional economic developmental model have surfaced since 2005, especially under the impact of the global financial crisis. Economic development calls for new driving forces under the new historical conditions; the new driving forces come from the new institutional changes and more open integration into the international economy and community. How to find a new model of economic development by intensifying the reform of the socialist market economy system under the guidance of the outlook on scientific development is the first issue for China during the new developmental stage. The Binhai New Area of Tianjin has accumulated the wisdom and experience from home and abroad to actively explore a new economic developmental model since 2005, while the resulting new approaches and new practices will offer experience and reference for us.

1 Two Kinds of Strategic Thoughts and Developmental Models Regarding China's Economy Since the Reform and the Opening Up

(I) Two kinds of strategic ways of thinking regarding China's economy since the reform and the opening up

Tremendous achievements have been made in China's economy since the reform and the opening up which started at the end of 1978. According to statistics, China's GDP, the total import and export trade, fiscal revenue in 2007 were 67.7, 105.3 and 45.3 times what they were in 1978, respectively.¹ With the rapid economic growth, China's economic structures, social structures, institutional structures and international economic relations have changed profoundly. The rapid growth of China's economy has become the main source for world economy and trade. More importantly, China still enjoys a huge potential for economic growth and may become the country with the fastest economic growth and development in the 21st century.

Thirty years of economic and social development in China is a process of making progressive changes in the economic and social system to gradually move towards an open socialist market economy and explore a socialist economic developmental path with Chinese characteristics. Such a developmental process has always been accompanied by two different ways of thinking or modes of economic development. First, emphasizing the theory of comparative advantage which is part of orthodox economics, attempting to rely on "factor rent" to stimulate rapid economic growth; second, stressing the division of labor based on specialization and disruptive innovation, attempting to rely on "innovation rent" and competitive advantage to achieve a great leap forward in economic development. In reality, the

¹National Bureau of Statistics of the People's Republic of China, Statistical Communiqué on National Economic and Social Development, China Statistical Yearbook (1979–2008), China Statistics Press.

Latin American mode and the Japanese-South Korean mode and their experience, separately, correspond to both kinds of strategic ways of thinking or modes. With regard to open market-oriented institutional change, as both kinds of strategic thinking or modes involve different understandings of the driving forces for economic growth and development, the former emphasizes simple deregulation and optimization of the investment environment, while the latter stresses the building of an entrepreneurial or innovation environment.

(II) **The impact of two kinds of strategic thinking on the course of economic development**

At different developmental stages, both kinds of developmental ways of thinking or modes have always affected the actual process of China's economic development. However, depending upon the historical conditions at the specific stage of economic development, a way of thinking or mode may have the dominant position at a certain stage, thus China's economic growth and development has taken a certain path and track.

1. **The traditional mode of economic growth driven by "factor rent"**

There was an excessive emphasis on relying on comparative advantages to promote China's economic growth and development before 2005, thus forming a model of economic development that was driven by "factor rent" in line with specific historical conditions.

The traditional model of economic development was based on comparative advantages, under which comparative advantages, especially factor resource advantages such as cheap labor, land and environment, were considered as China's resource endowment; so simple deregulation was conducted and the investment environment was optimized to initiate private investments and attract FDI for using cheap resources to obtain factor rent.² Under the traditional developmental model, on the one hand, foreign capital was introduced to rapidly integrate China's economy into the world economy and extensive international economic circulation, and make China an important manufacturing base in the world; on the other hand, the economic management functions of the government were transformed, state-owned enterprises were reformed and private investments were initiated to gradually develop a market-based resource allocation mechanism.

However, whether private investments were initiated or foreign capital was introduced, the traditional economic developmental model emphasized the utilization and allocation of cheap labor, land and other resources. Such a model of economic development with high dependence on resources and capital input generated great

²This can be seen from the design of the objective for attracting foreign capital at the beginning of China's reform and opening up. As the competitive power of China's manufacturing industry was low at the beginning of reform and the opening up, the main objective of the export-oriented policy for attracting foreign capital at that time was to earn foreign exchange, followed by increasing employment and taxes.

achievements in economic development, but resulted in a heavy price—excessive development of resources and environmental pollution which occurred at the early stage of development in developed countries. In terms of the mode of economic growth, currently China is beset by various acute problems including high input, high consumption, high emission, lack of coordination, difficulty in circulation and low efficiency, and severe hidden problems regarding development.³

According to statistical data, China's traditional model of economic development was driven by factor input. China's incremental capital-output ratio increased from 1:1.8 during the years 1981–1985 to 1:4.99 during the years 2001–2004. The extensive factor input-driven mode led to a faster consumption of resources in China while spurring a rapid growth of China's economy. China's GDP was 2.64 trillion USD based on the prevailing exchange rate in 2006, accounting for about 5.46% of the world's GDP; however, the consumed resources, including crude oil, raw coal, iron ore, steel, aluminum oxide and cement, made up about 7.4, 31, 30, 27, 25 and 40% of the world's consumption, respectively, and the resource consumption was much higher than the world's average level.⁴ High input and high consumption drove rapid economic growth, but also gave rise to high emissions and heavy pollution; the wastewater discharge resulting from increasing a unit of GDP in China was 4 times higher than that in developed countries; the solid wastes generated by a unit of industrial output value in China were 10 times more than those in developed countries (see Footnote 4).

The traditional model of economic development under which a high economic growth was achieved by high input and high consumption of resources and factors has led to uncoordinated structural development of China's economy. First, compared with the rapid development of the industry, China's agricultural foundation is still weak, and the issues concerning agriculture, rural areas and farmers have existed for a long time; second, the development of the modern service industry is slow compared with the development of the manufacturing industry. Currently, the added value of China's service industry accounts for only 32.3% of the GDP, lower than both the world's average level (66.4%) and the average level of low-income countries (45%) (see Footnote 4); third, China is only at the low end of the global industrial value chain and the external sources of technologies have severely restricted the improvement in the international competitive power of China's manufacturing industry; finally, the gap in residents' income distribution has become increasingly wide amid the high economic growth. The Gini coefficient which reflects China's residents' income gap has been generally on the increase since the reform and the opening up. According to the statistics from the World

³Xu Youlong, Ma Kai Discusses Scientific Development, *Observation & Thinking*, 2004(15), quoted from Xu Youlong, What Growth Mode is Needed for China? *Observation & Thinking*, 2004(15).

⁴Xu Youlong, What Growth Mode is Needed for China? *Observation & Thinking*, 2004(15).

Bank, China's Gini coefficient was 0.16 before the reform and the opening up and reached 0.458 in 2003, exceeding the internationally-accepted alarm level (0.4), thus being on the verge of danger.⁵

2. Four basic characteristics of the traditional model of economic development

Given the actual reality of China's economic development, the traditional model of economic development merely based on comparative advantages is unsustainable. Subject to rising factor costs and a deteriorating foreign trade environment, a host of labor-intensive enterprises in the Pearl River Delta, where the manufacturing clusters first flourished thanks to China's reform and opening up, have gone bankrupt and have relocated to other areas since 2007.⁶ China's economic situation has become grim due to the global financial crisis, thus we have to reflect on the disadvantages and drawbacks of the traditional model of economic development.

Reviewing the 30-year course of China's rapid economic growth and development, we can conclude that the tremendous achievements made are mainly attributable to the fact that the market-oriented reform and opening-up policy gave scope to and amplified the comparative advantages based on resource factor endowments. However, the economic developmental way of thinking and mode based on the comparative advantages of resources and factors have caused many hidden problems in development while delivering high growth to China's economy. Transforming the economic developmental way of thinking and mode is the fundamental way to eliminate these hidden problems.

This paper summarizes the basic characteristics of China's traditional economic developmental way of thinking or mode in the following four aspects: (1) underscoring the roles of comparative advantages and "factor rent" in driving the economic growth, with comparative advantages mainly including cheap labor, land and other resource advantages; (2) laying stress on the introduction of technologies and production manufacturing, overlooking self-independent innovation, research and development, pursuing an extensive expansion of the economic scale, ignoring the intensive growth of the economy; (3) Practicing an extensive mode of economic growth, excessively relying on input and resource consumption, stressing the role of both investment and foreign capital as driving forces for economic growth;

⁵Quoted from China's Gini Coefficient Approaching 0.47, Seven Measures for Narrowing the Income Gap, March 13, 2006, <http://www.xinhuanet.com>.

⁶See the report "Survey on Closedown of about 1000 Enterprises in the Pearl River Delta: Rising Costs Caused Enterprises to Relocate to Other Areas" by CCTV *Half-Hour Economy* (December 10, 2007). As reported by the *Southern Metropolis Daily* on January 22, 2008, in January of the new year, the Pearl River Delta was undergoing unprecedented pain of transfer: about 1000 shoe factories were closed down, and more than 10,000 Hong Kong-funded enterprises were facing a wave of closure, a large number of small and medium-sized enterprises were planning to relocate. In early March, 2008, the *Wall Street Journal* reported that nearly 10,000 foreign-funded enterprises in the Pearl River Delta were closed down or had been moved to other areas.

(4) being government-led and thus overemphasizing the economic growth rate, with the government policy system focusing on deregulation of private investments and the optimization of the investment environment for foreign capital.

2 The New Stage of China's Economic and Social Development and a New Round of Economic Transformation

(I) New characteristics of economic development determine the necessity to transform strategic ways of thinking

The disadvantages of the traditional model of economic development have been gradually exposed since 2005. With new changes in the domestic and international environment, China's economy is entering a new stage of development.

China's economic development shows a series of new-stage characteristics during the new stage of economic development. National economic strength has significantly improved, while the overall level of the productive forces and the capability for independent innovation are not high, and long-standing structural contradictions and an extensive growth mode have not been fundamentally changed yet. The socialist market economy system has preliminarily taken shape, but the obstacles due to institutions and to the mechanism affecting the economic development still exist, and further reform in difficult areas meets with deep-seated contradictions and problems. People's lives have generally reached the affluent level, but the tendency towards the widening of the income distribution gap has not yet been fundamentally reversed, and the urban and rural poverty-stricken population and low-income population are still at a considerable size; prominent achievements have been made in coordinated development, while the situation in which the agricultural foundation remains weak and the rural development still lags behind has not changed yet, and the task for narrowing the rural, urban and regional gap in development and promoting coordinated economic and social development is arduous. The opening up is expanding, international competition is becoming increasingly fierce, and the pressure from the dominance which the developed countries enjoy in the economy, science and technology will continue to exist for a long time. More and more risks which can be and are hardly predictable are cropping up. The requirements for giving overall considerations to domestic development and the opening up are becoming higher.⁷

In view of these characteristics of China's economic development during the new stage, it is essential to transform the strategic way of thinking and mode of economic development, while carrying out an outlook on scientific development is

⁷Hu Jintao, "Hold High the Great Banner of Socialism with Chinese Characteristic and Strive for New Victories in Building a Moderately Prosperous Society in all Respects—Report in the 17th National Congress of the Communist Party of China", October 15, 2007.

the core and key to exploring a new model of development (see Footnote 7). According to the requirements of the outlook on scientific development, the driving forces for economic growth and development are no longer “factor rent” based on resource endowment; instead, these driving forces are “innovation rent” based on knowledge and technical innovations. At the level of institutional change, building the institutional environment which centers on self-independent innovation and effectively promotes entrepreneurship and innovations is the important way for realizing an outlook on scientific development. In essence, the exploration of a new model of economic development is the second economic transformation in China and is a process of forming and developing a self-independent innovation path with Chinese characteristics and an innovative economy.

(II) The new way of thinking of economic development must realize transformation regarding five aspects

Given the actual situation of China's economic development, compared with the traditional model of economic development, the new economic developmental mode of thinking must bring about transformation regarding the following five aspects:

First, transformation from the extensive growth mode to the intensive growth mode. In order to transform to the intensive growth mode, it is necessary to change the practice of simply pursuing scale expansion, emphasize the technical renovation of enterprises, self-independent innovations and efforts to tap the enterprises' potential in internal management; furthermore, it is essential to increase the science and technology input of the enterprises so as to upgrade their products and services, enhance the international competitive advantages of the enterprises. Actions should be taken to innovate in the traditional mode of production organization and to explore an organizational mode which suits China's national conditions and enables sustainable innovations and flexible manufacturing within the enterprises. Efforts should focus on using IT to propel industrialization, promoting IT development through industrialization, undertaking a new road towards industrialization.

Second, transformation from a resource-consuming mode to a resource-saving, environmentally-friendly one. During economic development, it is necessary to save and comprehensively utilize resources, vigorously develop a recycling economy, and explore the model of economic development based on recycling: “resources-products-renewable resources”. The State should strengthen the strict management of resources and intensify ecological environmental protection.

Third, transformation from technology introduction to technical innovations. The knowledge necessary for innovations is basically implicit knowledge and is strictly restricted by spatial scope. At the current stage of China's manufacturing development, the enhancement of its international competitive advantages mainly relies on the implicit knowledge which cannot be achieved by direct introduction from foreign countries, simple learning and imitation; such enhancement is a result of long-term knowledge accumulation.

Fourth, transformation from a foreign capital-driven mode to a domestic demand-led one. China has basically taken an outward-looking road towards

economic development after 30 years of reform and the opening up; however, the international environment is complicated and changing, posing severe security problems to China's economic development and bringing no benefits to increasing the national welfare level.

Fifth, transformation from capital import to capital export. Chinese enterprises have found it difficult to carry out transnational operations since the beginning of the 21st century; the root cause is that these enterprises have based their competitive advantages on the comparative advantages of domestic resources and factors. As Chinese enterprises have improved in self-independent innovations and their technological level, transnational operations are an inevitable choice for them. The issue concerning how to help and guide Chinese enterprises to perform transnational operations must be addressed during the new stage of economic development.

Being different from the traditional model of economic development, the new model of economic development has the following characteristics: (1) emphasizing the roles of competitive advantages and "innovation rent" in stimulating economic growth and development, with competitive advantages based on the innovations of new knowledge and its commercialization; (2) laying stress on self-independent innovation, research and development of technologies, pursuing to speed up the economy and its intensive growth; (3) practicing the intensive mode of economic growth, relying on the creation and commercialization of new knowledge; (4) adopting a system of government policies focusing on building an entrepreneurial and innovative environment rather than deregulating private investments and optimizing the investment environment for foreign capital.

3 Exploration of the New Model of Development in the Binhai New Area of Tianjin

(I) Developmental positioning of the Binhai New Area of Tianjin

According to the Opinions of the State Council on Issues Concerning Promoting the Development and Opening-up of the Binhai New Area and the Overall Plan for Comprehensive Reform Experiment in the Binhai New Area of Tianjin, the developmental goal for the Binhai New Area of Tianjin is specified as follows: in 5–10 years, first develop a well-improved system of a socialist market economy in the Binhai New Area, continuously enhance the area's capability for innovation and service and the international competitiveness of the Binhai New Area, play a bigger role in driving the development of Tianjin, push forward the economic revival in Beijing, Tianjin, Hebei Province and in the Circum-Bohai-sea Region, promote the interaction among the eastern, central and western regions and the national coordinated economic development, offer experience and a model for national development and reforms.

Given the domestic and international conditions during the new stage of China's economic development, the trends of the economic development in the Circum-Bohai-sea Region and the actual local situation, the Binhai New Area of Tianjin will become a world-class city. It is based on the manufacturing industry with a high capability for self-independent innovation, and it has the comprehensive functions of an international financial, trade, shipping and logistics center; it can play an active role in China's involvement in global economic activities as well as having an international economic influence. The Binhai New Area will serve as a platform for economic dialogue between China and the world, a gateway for the opening up and an engine for stimulating the economic development of Northern China.

As a world-class city, the Binhai New Area must be developed by relying on its own innovation capability, developmental vitality, service capability and international competitiveness to integrate domestic and international resources so as to foster common regional economic and social development and prosperity. In order to advance the development and the opening-up of the Binhai New Area, the State gives the Binhai New Area the priority right to first implementation and experimentation in comprehensive supplementary reforms and institutional space for innovation rather than simple preferential policies. Therefore, being different from the traditional development and opening-up mode, the development and opening-up of the Binhai New Area depends on the innovative advantages and "innovation rent" generated by a series of institutional innovations instead of preferential policies and "factor rent". Thus, the new developmental model of the Binhai New Area has a special connotation, route and mechanism—improving the socialist market mechanism and intensifying the reform and opening up, relying on the institutional space for innovation to spur self-independent innovation so as to obtain innovation advantages and "innovation rent", sharpen the international competitive edge of enterprises, industries and the region. First it is necessary to transform from a manufacturing economy to an innovative economy, achieve, scientific and harmonious development first.

(II) Exploration of the new developmental model in the Binhai New Area and the framework of its mode

Since the development and the opening-up of the Binhai New Area was incorporated into the overall national strategy for development, the new developmental model has been explored mainly regarding the following three aspects: first, making institutional innovations to improve the system of a socialist market economy; second, utilizing the institutional innovation advantages to make full use of new opportunities available at home and abroad so as to form and develop the functions of a modern transformation base for manufacturing, research and development, an international financial, trade, shipping and logistics center; third, carrying out the construction of infrastructures and ecological environment which matches with the above contents.

According to the Overall Plan for a Comprehensive Reform Experiment in the Binhai New Area of Tianjin, as shown by the embryonic form of the Binhai New Area of Tianjin which is being explored and developed, the framework of the new mode mainly covers the following aspects:

1. Build a more perfect system of a socialist market economy capable of effectively supporting self-independent innovation

Given the deep-seated institutional obstacles in reform, the following two aspects will be highlighted to intensify the reform of the economic system and improve the system of the socialist market economy in the Binhai New Area of Tianjin:

First, intensify the reform of enterprises, develop a mixed ownership economy, establish and improve the micro foundation for the socialist market economy basically by centering on developing the modern manufacturing industry and the modern service industry, giving prominence to strategic adjustments of the state-owned economy in order to intensify the reform of the system of property rights of the state-owned enterprises, accelerating the establishment of a modern enterprise system, innovating the model of enterprise development, optimizing the enterprise developmental environment, enhancing the vitality and competitiveness of the enterprises.

Invigorate large enterprises while relaxing the control over the small ones to further reform the system of property rights at the state-owned enterprises, establish a modern enterprise system and cultivate the self-reliance ability of enterprises. Vigorously develop and support the non-public sectors of the economy, to enter such fields as financial service, public utility and infrastructures. Optimize the institutional environment for the entrepreneurship, growth and development of enterprises, tirelessly enhance the innovation capability and the international competitiveness of enterprises. Encourage the development of small and medium-sized innovative enterprises, and build an integrated public service platform for small and medium-sized enterprises.

With a view to encouraging the development of small and medium-sized innovative enterprises, 6 national-level new and high technology bases for industrialization, more than 40 enterprise incubators are being built and a number of self-owned brands at an advanced domestic level are being cultivated in Tianjin and the Binhai New Area. Many projects which are being incubated have shown obvious self-independent innovation advantages.

Second, deepen the reform of the scientific and technological system, develop a regional innovation system, enhance the self-independent innovation capability of enterprises, and build high-level transformation bases for research and development. Focus on speeding up the commercialization of research findings and technologies, improve a market-oriented enterprise-focused institutional framework for self-independent innovation, enhance the overall innovation capability, and by 2010, turn the Binhai New Area of Tianjin into the forerunner of an innovation-oriented city.

The overall objective for self-independent innovation in the Binhai New Area of Tianjin is to build an innovation-oriented new area where the layout of the park and the division of labor are clear, a centralized construction of science and technology project is conducted, and innovation resources are effectively allocated, and where the industry, universities and research institutions are closely integrated. First, promote the transformation of scientific and technological achievements into productive forces, establish the Binhai Venture Capital Investment Guidance Fund worth 2 billion yuan and introduce foreign venture capital organizations; second, create an environment beneficial to innovation, earnestly introduce and cultivate various outstanding talents and innovation teams; third, give scope to the role of enterprises as the main body in innovation, attract multinational corporations and leading domestic enterprises to set up research and development institutions, engineering centers and form high technology industrial clusters. Give priority to pushing ahead with the construction of 12 scientific and technological platforms including a national-level international biopharmaceutical innovation park, an industrial biotechnology research and development center, a civil aviation science and technology industrial base, and build 10 industrial technology research and development centers involving steel pipes, textiles and automobiles.

2. Establish factor market systems including modern financial service systems

First, push forward financial reform innovation, set up a modern financial service system suitable for a socialist market economy system. Subject to ensuring that risks are controllable, act in a scientific and prudent way to focus on expanding direct financing and enhancing the comprehensive service function of financial enterprises, actively press ahead with comprehensive financial reforms, build a modern financial service system fit for the development and the opening-up of the North Economic Center and the Binhai New Area, develop the national financial reform innovation base, and establish a more vibrant, more open financial system.

Broaden direct financing channels, improve the social capital structure, increase the efficiency of social capital utilization, and gradually develop Tianjin into China's center for the issuance of industrial investment funds, management, trading, information and talent training. Carry out a pilot comprehensive operation of financial enterprises, and enhance the service function of financial enterprises. Introduce domestic and international financial institutions, gradually develop them into the North Financial Center. Reform the foreign exchange management system, establish a trading market for national non-listed public company equities, and optimize the financial environment.

Second, quicken the construction of a modern market system. Build Tianjin into the North International Trade Center by speeding up the construction of large commodity trading markets covering petrochemical engineering, coal, steel, cotton and grain, and exploring the trading business of commodity forward contracts.

Third, follow the principle of unified planning, law-based management, market allocation and government regulations to optimize the structure of land use, innovate the inland management mode so as to shape a new pattern of land saving and intensive land use in which the cultivated land resources are really protected and attention is given to the efficiency of land assets.

3. Intensify the reform of foreign-related systems, give full play to Tianjin's role as the gateway to the opening up, gradually turn Tianjin into the international trade and shipping center of Northern China

With a focus on building the Dongjiang Bonded Port Area, accelerate the construction of the North International Shipping Center and International Logistics Center. Make reference to internationally accepted practices, mainly develop international transshipment, international distribution, international procurement, international entrepôt trade and exporting processing in the Dongjiang Bonded Port Area, and where conditions permit, make reform exploration to build a free trade port.

Intensify the institutional reforms concerning foreign capital, promote the effective utilization of foreign capital and diversification of utilization modes. Actively implement the "go global" strategy, build a service platform for enterprises to "go global", encourage and standardize enterprises' investment cooperation in foreign countries, and develop those enterprises which satisfy the conditions into multinational corporations.

Innovate the cooperation mode in the East Asian Region, establish a closer economic and trade cooperation mechanism among the Binhai New Area of Tianjin, North China and the areas which enjoy special opening-up policies in Northeast Asian countries, such as Japan and South Korea, in order to intensify and enhance Northeast Asian regional cooperation.

4. Push forward the reform of system of urban and rural planning management, promote a harmonious development of the Binhai New Area and urban areas, build new ecological urban areas

Focus on implementing the overall urban plan for Tianjin and the overall urban plan for the Binhai New Area, reform the system of urban and rural planning management, strengthen the supervision and management of plan implementation, reinforce the protection of ecological environmental resources, build new ecological urban areas, a harmonious development of people and nature, an economic, social and ecological environment.

Center on intensifying a comprehensive rural reform and break through the institutional obstacles resulting in urban-rural segmentation, balance the urban and rural development, promote urban and rural integration in the management system, policy support, industrial distribution and public service, accelerate urbanization, build a demonstration area for the development of urban and rural integration.

5. Push forward reforms in social and public management fields, innovate the public service management system, build a basic public service system covering urban and rural areas

Reform the systems involving resource conservation and environmental protection, develop a recycling economy, build a conservation-minded, environmentally-friendly society. Innovate the public service governance mechanism and supervision system, place more emphasis on social equity, address the issues concerning the most immediate, realistic interests which people are most concerned with, increase the supply of public services, speed up the construction of a basic public service system which can meet the needs of domestic and foreign personnel, provide rational, moderate social security and cover both urban and rural areas.

With environmental optimization and economic growth as the core, in order to build new ecological urban areas, center on saving energy, water, materials, land and comprehensive utilization of resources, earnestly develop a recycling economy, propel the optimization and upgrading of economic distribution, industrial and product structure, turn the Binhai New Area into a national demonstration area for building a resource-saving, environmentally-friendly society.

4 Summative Review

As indicated by the experimentation on the new model of economic development in the Binhai New Area of Tianjin since 2005, the key points of the new mode driven by "innovation rent" are creation, commercialization and application of new knowledge, changes and innovations in the corresponding economic and social systems. The new model of economic development is guided by an outlook on scientific development. The core question answered by this new mode involves how to undertake a self-independent innovation path with Chinese characteristics or shape China's innovative economy. Essentially, it is the second transformation of China's economy.

In the new round of development and opening-up of the Binhai New Area, institutional changes and opening-up policies center on stimulating self-independent innovations within Chinese enterprises and industries, while institutional innovation focuses on the building of an entrepreneurial or innovation environment rather than a simple deregulation and optimization of the investment environment. With a focus on transformation from a production-oriented manufacturing economy to a research and development-driven innovative economy, the Binhai New Area has witnessed a deepening understanding of the socialist market economy system. Building a modern financial service system, a scientific and technological system, a public service and management system commensurate with the entrepreneurial or innovative economy is the top priority in the establishment of the socialist market economy system. The market system necessary for the entrepreneurial or innovative economy is not closed but it is more open. Intensifying the experimentation on the new developmental model, people in the Binhai New Area of Tianjin have gradually

realized that under new domestic and international conditions, only when we first initiate and develop the innovative economy in the development and opening-up of the Binhai New Area and transform the Binhai New Area from a manufacturing economy to an innovative economy, can the new mode in the Binhai New Area be of real model significance for national economic and social development.