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Theory and Practice on Building Global City with Chinese Characteristics: Beijing as a Case

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Theory and Practice on Building Global City with Chinese Characteristics: Beijing as a Case

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Abstract: The paper summarizes the concept of Global city with Chinese characteristics from a comparative perspective, points out that the Chinese emphasis on global cities' influence and competitiveness, which is different from the command and control function stressed by the Western. Taking Beijing as a case, we reveals systematically that the development of Chinese global cities faces three traps: the comparative advantage of primary element, economies of scale of physical investments expansion, and high risks of innovations for high costs, and the intensification of them trigger the developing global city disease. Then we propose basic strategies and routines for overcoming the traps and promoting global cities in China.

Keywords: Developing global cities; evolution stages of competitiveness; productivity; developing traps

JEL: R11; R58

Since the global financial crisis, economic and political structure of the world entered a deep adjustment process. From the view of spatial economics, this process is mainly concentrated on adjustments to global urban system, with global cities being the centers, and the main focus of global urban system is the emergence of China's global cities. From the retrospect of China's world city concept and origin, this paper makes an attempt to reveal the "traps" and problems faced by China's global cities in rising its competitive power, and points out response strategy choices.

1. Concepts and origin of China's global cities.

There are two mutually related concepts in China, to describe cities possessing international influence and competitive power: international city and global city. International city is a city with international influence and competitive power, the meaning is relative to "World City", represented by Friedman (Friedman, 1986) and used in English literature. Global city is a high end international city which can influence and control global economy, this term is equivalent to high rank city (see Figure 1) in Friedman's system (Friedman, 1995), or "Global city" proposed by Sassen (Sassen, 1991).

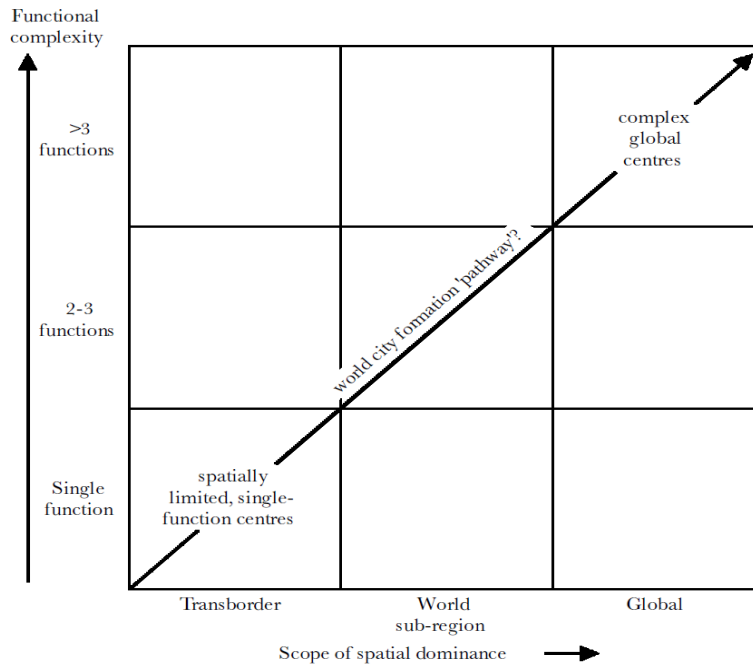


Figure 1. Characteristics of global city: high functional complexity and extensive scope of dominance

Source: Douglass(2000), p.2323

Defining global cities, American and European researchers usually emphasize on command functions and control capability. In international relations, China pursues five principles of peaceful coexistence and emphasize on equality and mutual benefits, therefore emphasizing on the world influence and competitive powers in global city theory and practice, sustainable competitive power is a basis and necessary condition for such cities. Competitive power here means productivity (Porter, 1990 etc), including labor productivity, capital productivity and environmental productivity. Since Eleventh Five Year Plan of China National economic and social development, especially after global financial crisis in 2009, China put special emphasis on increasing the environmental productivity.

Global cities in many aspects are important for increase of nation status and influence: 1) from economic aspect, global cities can help the country successfully transform from low level, efficiency and influence of production to high ones; 2)from cultural aspect, global cities can contribute to promote the country to transform from a remote player of world culture to a creator of symbols of global consumption culture; 3) from political aspect, global cities help country to move from world periphery to world core; 4) from national spirit aspect, global cities increase national sense of honor. Hence, the concept of global city was proposed in general plans of Beijing, Shanghai and other important central cities in China as an expectation in early 1990s.

For example, in 1993, in approved “Beijing city general plan”, State Council proposed that: “social development and comprehensive strength of economy, science and technology in Beijing, will reach, and in some aspects exceed, the levels of capital cities of moderately developed countries by 2010..., we have to lay the foundation for Beijing to become a modern global city of the highest level in the middle of 21st century”; in 2005, in approved “Beijing city general plan for 2004-2020”, State Council defined further the strategic deployment of building Beijing as a modern international city and proposed: “to implement the goal of building a world city, it is

needed to continuously increase Beijing's position and role in the system of the global cities". The first stage is to "create a basic framework of modern international city", the second stage in 2020, is to "establish a position of modern international city with distinct features", the third stage in 2050, is to "enter the global cities rank".

However, after the 2008 Beijing Olympic Games and the global financial crisis, "building a global city" became a real, clear, social and economic development goal. For instance, in 2008 the "State Council instructions about the further advance of openness reform and socioeconomic development in the regions of Yangtze River Delta" propound that Shanghai will "become a global city with international influence and competitive power" by 2020. "The outlines of reforms and development plan for the regions of Pearl River Delta for 2008-2020" state that the regions of Pearl River Delta must form a metropolitan region, with strongest core competitiveness in the world by 2020. In 2009, Beijing Municipal Committee and Government declare that Beijing entered the highest form of overall building of international city – the new phase of global city¹.

2. The "traps" and problems faced by China in building the global cities.

As mentioned above, increasing of international competitiveness is a core and basis for building the global city. Since the reform of openness, Beijing as a global city of developing China, continuously increased its international competitive powers. In 2009, labor productivity, measured at current prices in Beijing city, reached 121,700 RMB per person, it is 49.7 times the 1978 figures, or 10 times measured at comparable prices (see Figure 2); the relative value to average labor productivity from 1990 in USA, Japan, Germany, France, UK and South Korea, also rapidly increases (see Table 1).

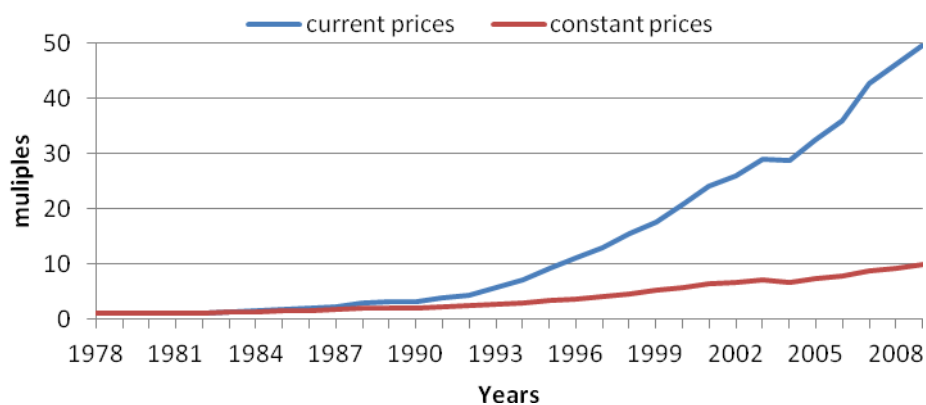


Figure 2. Growth trend of labor productivity in Beijing (relative to 1978)

Source: "Beijing Statistical Yearbook 2010"

¹ Source: Government Work Report by Liu Qi on 10th Session of 7th Plenary Assembly of CPC Beijing Municipal Committee, from December 25, 2009.

Table 1. Change in relative value of labor productivity in Beijing compared to major countries.

Year \ Countries	1990	1999	2000	2005	2006	2007	2008
USA	3.45	7.58	8.54	11.10	12.18	14.59	16.70
Japan	3.42	7.56	8.52	13.53	16.15	20.09	21.22
Germany		9.03	11.88	12.69	14.18	15.80	17.30
France		8.21	10.80	11.28	12.27	13.56	14.82
UK	4.54	9.83	11.65	12.36	13.33	14.42	18.18
Korea	11.95	26.13	24.46	26.21	26.93	30.68	41.40

Source: Beijing data comes from "Beijing Statistical Yearbook 2010"; other countries data on 1990 and 1999 comes from "World Statistical Yearbook 2004", data after 2000 comes from "World Statistical Yearbook 2010", absolute figures can be found in Appendix 1.

However, in the beginning of 21st century, during the stage jump, Beijing city fell into development "trap". From the middle of 1990s to 2009, relative value of Beijing labor productivity to country's average level demonstrated an inverted "U" shaped tendency, with turning point at the turn of the century, showing how relatively rising overall competitiveness has become relatively decreasing. A further analysis of labor productivity reveals the following process: at the time when share of labor in the country has increased, the growth rate of share of aggregate economy in country has slowed down (see Figure 3). For what reason competitive power of Beijing in recent years, demonstrates relatively decreasing trend?

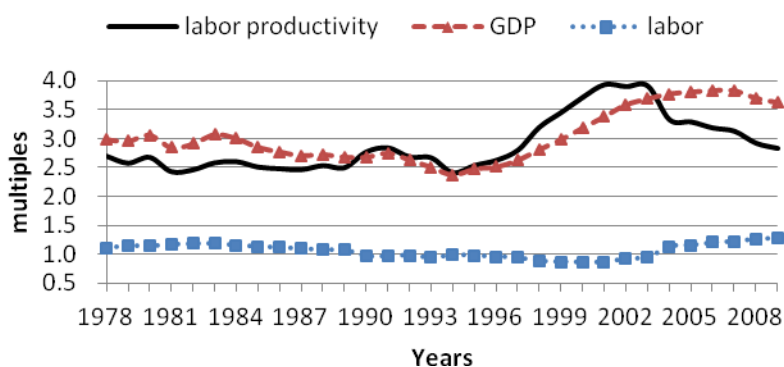


Figure 3. Relative value of major indicators of Beijing city to country average level.

Source: "Beijing Statistical Yearbook 2010" and "China Statistical Yearbook 2009", country data on 2009 comes from "Statistical Bulletin on National social and economic development in 2009"

To disclose the reason of this tendency, first, one needs to understand the development stage of Beijing's competitive power. From the aspect of factor endowment, domestic market and especially economic features of industry, Beijing's competitive advantage is a jumping stage from orientation on primary production and economies of scale, to orientation to innovations (see Figure 4). However, because of a lot of "traps" on this stage, the progress faced numerous difficulties, a lot of regions faced stagnation, and only few successfully implemented this jump (Porter, 1991).

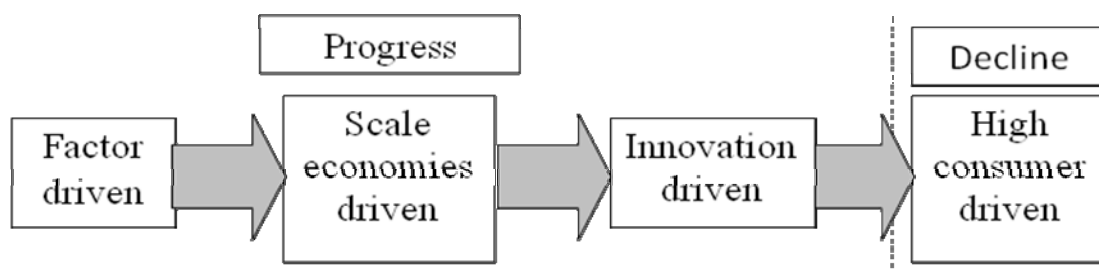


Figure 4. Development pattern of competitive power and its transformation. (Porter, 1990)

From one side, the problem of Beijing rises from the common problems caused by deepening of service sphere in economy. In 1993 and 1994, employment and output value of the tertiary sector of economy exceeded the secondary sector, so as in 2009 the share of these two indexes in overall economy was 73.8% and 75.5% respectively, and reached the level of high income countries in 2006. However, international experience has shown when regional economy enters the stage of rapid development of service sector, it can easily get into vicious circle of declining labor productivity, rapid increase of service employment and cost disease of economy, this vicious circle² is also known as “Baumol-Fuchs hypothesis” (Baumol, 1967; Fuchs, 1968). After more than 10 years of rapid development, service sector of Beijing begins to reveal these difficulties. Beginning from 1994, when nominal value of tertiary sector exceeded secondary sector of economy, employment in Beijing’s tertiary sector increased 1.31 times, at the same period employment in secondary sector decrease 26.7%; from labor productivity side, the tertiary sector exceeded the secondary sector in 1995, but in 2002 tertiary sector growth rate slowed down, and finally in 2004 it fell below the secondary sector again; tertiary sector labor productivity in 2009, calculated at comparable prices of 1994, was only 2.75 times higher than that of 1994, at the same period secondary sector was 5.47 times higher respectively, if calculated at current prices, labor productivity of tertiary and secondary sectors will be 7.09 and 7.52 times higher than that of 1994 respectively. Comparison of both sectors shows that in the overall growth of nominal labor productivity of tertiary sector, the share that was caused by price increase is far higher, than the share caused by increase in real supply³ (see Figure 5).

² Empirical researches on “Baumol-Fuchs hypothesis” in China were mainly made by Cheng Da Zhong (2004a, 2004b), Zhu Yi, Xiong Si Min (2010). These research papers from the scale of whole country, zones and provinces, propose that service sector development in China probably faces the problems described in this hypothesis.

³ The result of comparison using this method of price calculation is not entirely accurate, at the same time considering that service price may at some degree reflect service quality, latter can be partly included to service supply. However, the large difference in growth rates still supports the idea that the growth of real service supply has slowed down, rather than the degree of service price increase had influence.

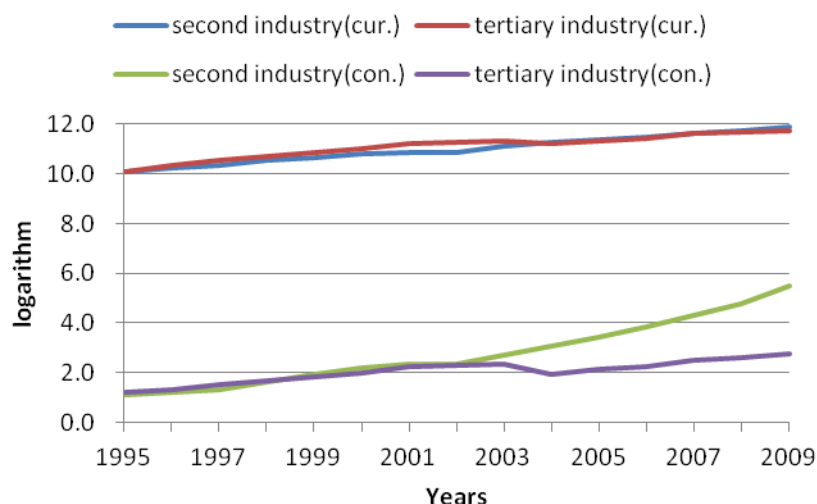


Figure 5. Growth trend of labor productivity in secondary and tertiary sectors of economy in Beijing city

Explanation: cur. means current prices; con. means constant prices.

From another side, economic features of China, namely the great amount of primary labor force factors and huge market scale, enlarged opportunity cost of stage jump for developing global cities in China, this forms three main development “traps”:

Comparative advantage of primary factors/ opportunity cost “trap”. International comparative advantage of developing global cities in China in primary factors, particularly in labor force is still very obvious. In 2008, cost of labor in manufacturing industry and overall average labor wage in China were less than 10% of same indexes in major countries of Europe, USA, Japan and South Korea (except 16.18% of average labor wage in South Korea) (see Table 2). Relative value of labor cost and labor productivity in China, to those in major developed countries approximately same, it means that in general labor force comparative advantage in China now is not apparent.

Table 2. Comparison of labor cost in China with major countries in 2008 (USD)¹

Country or region	Average wage of employee in manufacturing industry ²	Relative value of China to other countries	Average labor wage	Relative value of China to other countries	Labor productivity	Relative value of China to other countries
China	250 (monthly wage)	100%	2934 ³	100%	5584	100%
Beijing city	6669 (annual wage) ⁴	44.98%	8243	35.59%	16316	34.22%
USA	30.1 (wage per hour)	5.20%	54707	5.36%	97717	5.72%
Japan ⁵	2870 (monthly wage)	8.71%	35068	6.24%	76888	6.88%
Germany	27.9 (wage per hour)	5.59%	46250	6.34%	94305	5.92%

France	26.2 (wage per hour)	5.96%	56861	5.16%	110101	5.07%
UK	13.2 (wage per hour)	7.27%	47931	6.12%	89757	6.22%
South Korea	2515 (monthly wage)	9.94%	18138	16.18%	39408	14.17%

Explanation:

¹: data on countries comes from “International Statistical Yearbook 2010”, “China Statistical Yearbook 2010”; data on Beijing comes from “Beijing Statistical Yearbook 2010”; for more details see Appendix 2 and 3; “relative value” is a ratio of indexes in China to indexes in Beijing and other countries;

²: wage per hour was converted to annual wage according to assumption that there are 48 working weeks in one year and 40 working hours in one week. This method of calculation undervalued the wage value in these countries. For details consider the UK’s relative value of weekly wage and wage per hour in the appendix;

³: the “China Statistical Yearbook 2009, 2010” does not contain annual data on country overall GDP and its constituents, calculated using income approach, and contain data only on regional constituents on 2007 and 2009. On the basis of available data, this paper estimates average labor wage for two years by dividing labor wage in provinces to added value of regional GDP and multiplying it on average labor GDP. This Table shows indexes of 2009, at this period Beijing had 9006USD per person and country relative ratio was 32.57%, which is slightly lower than the value in the Table;

⁴: wage in Beijing refers to the “average wage in legal entities of city in 2008”;

⁵: “average wage of employees in manufacturing sector” and “average wage” for Japan were taken from the data of 2007, for ease of comparison “labor productivity” was also taken from 2007 data.

However, the levels of productivity, labor wage, social welfare and living conditions in developing global cities of China, significantly exceed average level in country, so they can continually get cheap labor production factors from the whole country. In 2008 Beijing city “average wage of workers by industries” was 1.93 times higher than country average level, “general budget financial spending” per person was 2.45 times higher than country average level (at the same period these two indexes in Shanghai city were 1.94 and 2.91 times higher respectively)⁴. This caused them to rely more on innovations in pursuing development, rather than on primary labor factors, and face huge opportunity cost of comparative advantage.

“Lockup” of scale economy profits. China is a huge country with population of 1.3 billion people, huge domestic market and extremely high profits from production and consuming. From one side advantage of big country promote the growth of business and companies, but from another side it can create dependency on scale economy, when turn to scale economy is preferred to pursue of innovations with relatively high costs.

In abundant domestic market, companies with economy of scale can face more smoothed demand curve in regions with relatively narrow market (greater demand elasticity under the same production level), average costs can be reduced by increasing the scope of production and setting lower price for products. However lower price for products decrease the marginal net income for suppliers; although absolute profit from fixed input factors is relatively high, but it is

⁴ Source of data for country is “China Statistical Yearbook 2009”, here local average spending per person in the average financial spending field, doesn’t include the part of central finance spending in this region, but it is included in country’s average level field, therefore there are underestimated results; on the other side, when population of two regions are resident population, but it still can be lower than the real level in cities, here the results can be overestimated.

only on the basis of greater scope of production and investments. Former decreases the marginal profit expectations from product innovations, but latter increases industry entry barrier, both can increase opportunity cost for product innovations. Here, if demand pickiness of domestic market is not high, companies will tend to greater scope of investments and scale production, but will lack the incentives for industry innovations, thus sink into scale economy “trap”. By contrast, from recent development of Beijing, it can be seen that labor productivity of industry and service sectors has significantly increased, but it was mainly due to capital deepening, market expansion and increase of the average scope of big companies; at the same time value added rate of production, capital and labor earnings rates⁵ and the share of innovative products had sharply decrease (see Table 3 and Table 4). This means that industrial development of Beijing at that period strongly rely on scale economy and lack of sensitivity to intensify efficiency.

Table 3 Economic performance of industrial sector above designated size in Beijing (units: RMB/person, %, person/unit, 10000RMB/unit)

	Labor productivity	Capital –value added ratio	Output value multiplier	value added – output value ratio	Wage rate	Net contribution rate of capital	Ratio of output value of new products	Average size of enterprise		
								Average labor force	Average amount of capital	Average output
1996	28706	6.01	100	31.42	30.73	7.37		111	1917	1015
2001	71204	5.78	191	26.44	23.27	6.28	27.31	248	10212	6678
2006	148332	8.18	539	21.20	19.63	5.80	27.45	183	22257	12828
2009	189529	8.56	725	20.67	21.44	6.42	25.96	175	28357	16020

Explanation:

1) Data used from “Beijing Statistical Yearbook” (1997, 2002, 2007 and 2010);

2) Wage rate = Average wage⁶/ Labor productivity × 100%; Capital – value added ratio = total capital/value added; Value added – Output value ratio = Value added/total output value × 100%; Newt contribution rate of capital⁷ = (total profit + tax spending) / total capital × 100%;

3) Current year price was used to measure “Output value multiplier” taking 1996 index as 100.

Table 4 Economic performance of service sector in Beijing (units: RMB/person, %, person/unit, 10000RMB/unit)

⁵ Although wage rate in service sector increased, but in such classification polarization of the average wage in business types within the industry is increasing, further analysis reveals that the average wage of business types within the tertiary sector was less than average level of tertiary sector, total amount of wage accounts for 51.78%, and the share of workers reach 67.49%, this means that the share of low wage service sector is still very big.

⁶ “Average wage” was approximate to “Average wage of workers” in “Manufacturing industry” in the “Industries of National economy” field. Although “Industry” field includes “Manufacturing industry” and “Production and supply of electricity, gas and water”, but share of latter sector is very small, therefore this approximation was used.

⁷ “Net contribution rate of capital” = “Total contribution rate of capital” – “interest rate”, “total contribution rate of capital” reflects earning capacity of total capital of the enterprise, accordingly “net contribution of capital” reflects excess earning capacity of capital. Furthermore, for ease of data sorting and comparison with other indexes of the same period (e.g. price factor): 1) “total amount of capital” was taken from “total capital” instead of “average amount of capital” at the end and beginning of period; 2) in recent years there is no statistical data on “administrative expense tax”, therefore it was not included in “total tax”.

10000RMB/unit)⁸

	Labor productivity	Capital to value added ratio	Value added to output value ratio	Wage rate	Net contribution rate of capital	Ratio of highest and lowest average wage	Average size of enterprise*	
							Amount of capital	Business income
2006	92076	11.68	22.31	48.53	5.21	5.71	27804	10675
2009	124633	15.88	19.19	50.03*	4.69	7.18	40243	13208

Source: "Beijing Statistical Yearbook" (2007 and 2010)

High risk of innovations. From the aspect of market value, current system of intellectual property protection is incomplete, lack of respect to intellectual achievements in social culture significantly reduce the opportunity cost of unauthorized use and plagiarism, and seriously decrease expected market return of knowledge creative activities. From the aspect of production links, knowledge creation highly relies on integration of innovative resources. But, because of segmented regional administrative barriers, production, teaching and research are also segmented, and the cost of integration of market factors to carry out innovations is high. The influence of both aspects makes current innovation activities very risky. Moreover, the "trap" of scale economy in big country described above, reduced the urgency for suppliers to pursue domestic competitive advantage using new technology and new products, and weakened innovative impetus in industry.

The hampered increase of competitiveness and relatively slowed down growth rate in developing global cities of China, caused and exacerbated developing global "city disease", mainly presented in the following aspects (see Figure 6):

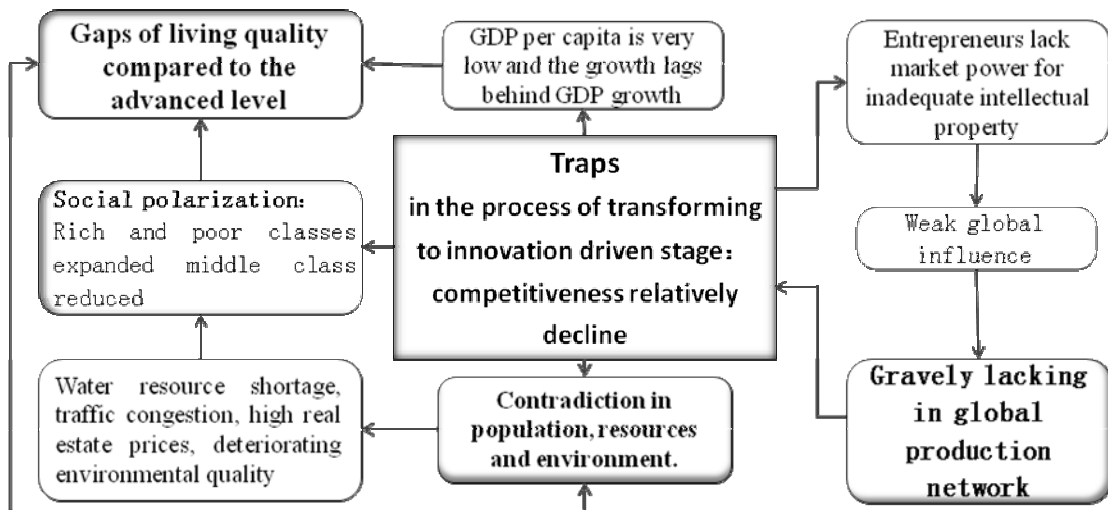


Figure 6. The developing global city disease.

1. The serious problems of resource and environment for urban population. Development model based on primary factors and scale economy, have relatively low production efficiency of

⁸ "Regional GDP" and "employees" data stands for overall tertiary sector, whereas capital, enterprise and business income data was used from "tertiary industry enterprises above limitation".

resource and environment. For example production efficiency of energy resources, energy consumption per unit of production in China exceeds average level of middle income countries by 30%; during past few years, this index in Beijing relative to country average level, was rapidly decreasing, but it is still far higher than that level in major developed countries (for comparison production efficiency of energy resources see Appendix 4 and 5). Expansion of urban population, will rapidly increase consumption of resource environment and worsen contradiction between population and resource environment.

2. There are huge differences in urban quality of life and international advanced levels.

Since 2000, population growth rate from migration holds high, the gap between growth rates of GDP per capita and overall GDP is further increasing (see Figure 7). The same low level can be also reflected in the level of wealth, the difference between GDP per capita in Beijing city and average level in world major developed countries is also relatively big. (see Table 5). In 2009 Economist Intelligence Unit's ranking of most livable cities of the world, Beijing ranked 76th (Shanghai 83d).

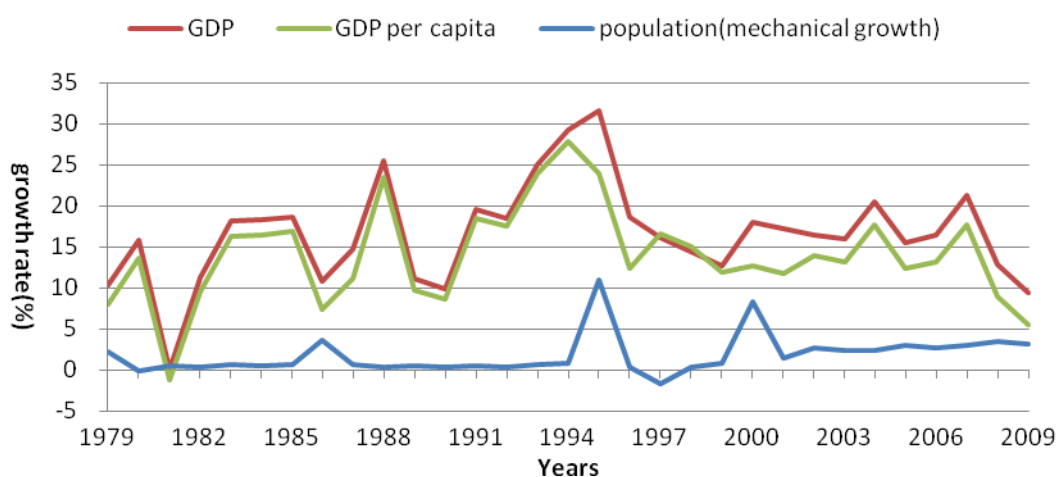


Figure 7. Change trend of the gap between Beijing's GDP per capita and overall GDP

Table 5. Relative value of Beijing's GDP per capita to average level of major countries (%)

Country (city)	PPP (international dollar/person, 2008)	Nominal value (USD/person)			
		2000	2005	2007	2008
China	294.71	307.11	327.40	314.08	294.72
France	51.61	12.93	15.92	19.20	20.92
Germany	49.34	12.61	16.59	19.98	21.63
Japan	51.53	7.92	15.76	23.48	25.02
South Korea	62.89	25.69	31.99	37.21	50.32
UK	49.57	11.83	15.05	17.73	22.32
USA	37.61	8.42	13.41	17.65	20.59

Note: data from "International Statistical Yearbook 2010", "Beijing Statistical Yearbook 2010", for absolute values see Appendix 6.

3. Exposure to polarization challenges caused by M-shaping of society and income disparities. In 2009 average wage in the highest wage level financial industry of Beijing, was 6.55 times higher than the lowest wage level industry, the share of workers employed in legal entities of three high-end service sectors like finance, information transfer, computer service and software industry, and also scientific research, technical service and geological exploration amounts to 16.35%, but their total wage amounts to 28.80% of all legal entities in the city, latter is 1.76 times higher than former; same indexes in 2008 amounted to 6.26, 15.72%, 27.24% and 1.73 respectively, this displays increasing trend in income disparities across sectors (see Figure 8).

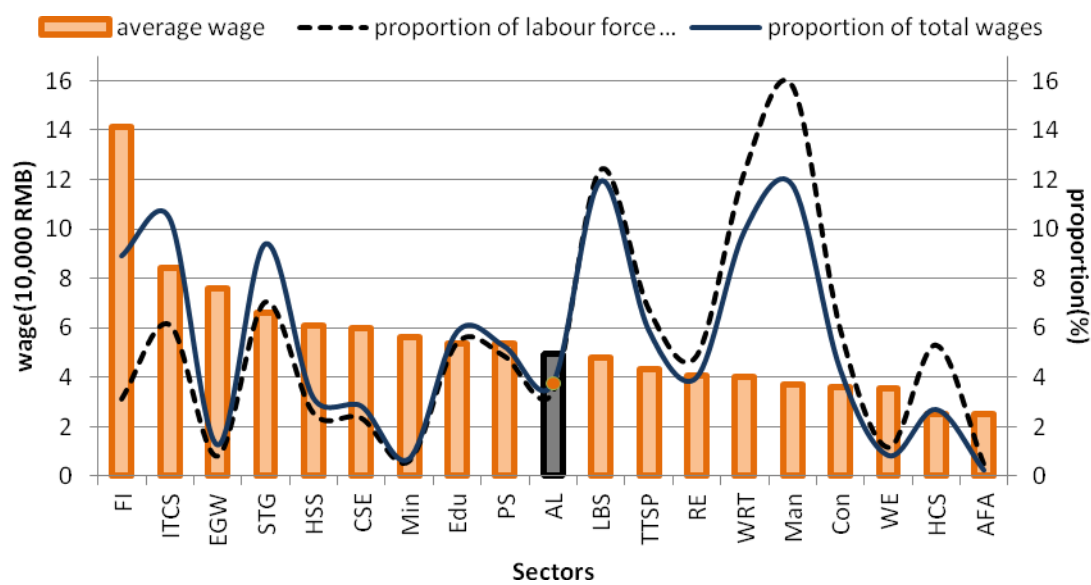


Figure 8. Sector disparities in wage of workers, employed in legal entities of Beijing city in 2009.⁹

At the same time, in recent years the quality structure of population in Beijing rising slowly and average level of human capital still relatively low. Human capital measured with length of education, shows that Beijing's increasing rate of average level is very slow and the share of population with college degree and higher is also low (see Figure 9);

⁹ Sectors abbreviations: FI(Financial Intermediation), ITCS(Information Transmission, Computer Services and software), EGW(Production and Distribution of Electricity,Gas and Water), STG(Scientific Research, Technical Service and Geologic Prospecting), HSS(Health, Social Security and Social Welfare), CSE(Culture, Sports and Entertainment), Min(Mining), Edu(Education), PS(Public Management and Social Organization), AL(average level), LBS(Leasing and Business Services), TTSP(Traffic, Transport, Storage and Post), RE(Real Estate), WRT(Wholesale and Retail Trades), Man(Manufacturing), Con(Construction), WE(Management of Water Conservancy, Environment), HCS(Hotels and Catering Services), AFA(Agriculture, Forestry, Animal Husbandry and Fishery), SHO(Services to Households and Other Services).

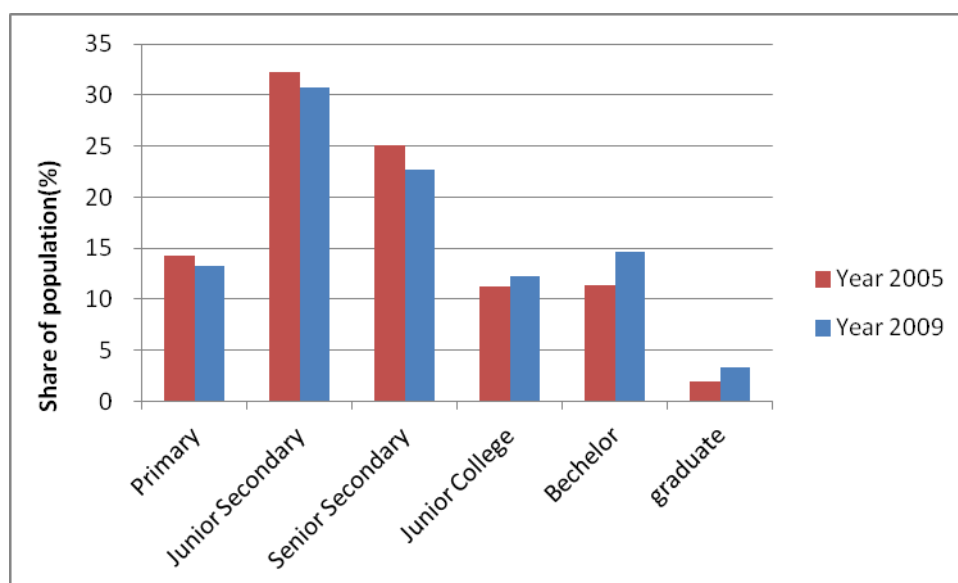


Figure 9. Quality structure of population aged 6 and above in Beijing in 2005 and 2009

Explanation: data for 2005 from “Beijing Statistical Yearbook 2006” according to sample survey of 1% of Beijing population results in 2005; data for 2009 from “Beijing Statistical Yearbook 2010” according to sample survey of results on population changes in 2009.

4. Serious lack of global production network. Concentration level of headquarters of large international enterprises is one of the major indicators to evaluate development degree of global cities. In 2010 there were 42 headquarters of top 500 world companies in continental China, 30 of them located in Beijing, in quantity and total income indicators Beijing ranked top 3 among global cities.¹⁰ Despite, core competitive powers of most of Beijing’s large companies, rests on huge market of China and government support, their advantages rely on factor price and economy of scale, and their influence is limited only to Chinese market; competitive powers originating from accumulation of knowledge capital, relying on innovation ability and market knowledge are not significant, these create monopolistic advantage with no intellectual property in international competition and weak global influence. This is also a concentrated expression of development “trap” faced by developing global cities in China.

3. Choice of strategy on building global city in China

To manage “traps” currently faced by developing global cities in China, first, it is needed by all means decrease opportunity cost of innovations; second, strive to decrease innovations risk to increase profit from innovations. Efficient promotion of transition to innovations oriented development, extending increase of international competitiveness and speeding up building of

¹⁰ In 2010, except headquarters of top 500 world companies located in continental China, there were also 4 headquarters in Hong Kong and 8 in Taipei; by quantity of headquarters of large companies Beijing ranked second in the world after Tokyo.

global cities will be possible only after formation of the “way to go”. In this respect, aside from strengthening and innovating social management, comprehensive advancement of social construction to ease M-shaping of society, following strategies were adopted for developing global cities in China.

1. Promote transition from concentrated global city region to dispersed global city region with many centers.

In China, global city region (Yang, 1999; Yang et al,2000; Scott, 2001) is also called agglomeration of world-class cities. Implementation of dispersed urbanization strategy and building a world-class city region, can be done through influence on demand and supply of labor market, from one side it can ease the pressure of population, resources and environment in the developing global cities, manage developing global “city disease” and promote substantial development; from the other side, it can decrease the opportunity cost for global cities on taking advantage from innovations, thus it can basically help to break through the “trap” of transition to innovations and speed up the process of building global cities.

Along with suggestion to follow urbanization path with urban agglomeration in the Eleventh Five Year Plan, building of world city regions and world level agglomerations become country strategy. Country developed and published regional plan for Yangtze River Delta and Pearl River Delta, and currently making research to publish Capital Economy Circle plan. However, due to development stage, organization system, policy and other reasons, in general, building of the world level city regions in the Eleventh Five Year Plan is based on concentrated development method with central city. For example the Capital Economic Circle, in ratified “Beijing city general plan (2005-2020)” in 2005, State Council proposed to build 11 new cities in rural area, but only in 2008, after Beijing Olympic Games the issue of building new cities was raised again; there were also planned to build few cities around Tianjin, but important actions were taken only for construction of city in Tianjin New Seashore Area. This is the main reason of global city disease in Beijing. Outline of Twelfth Five Year Plan propose that “on the basis of taking big cities as support and putting main emphasis on middle and small cities, large urban agglomerations with influence power will be formed, promoting coordinated development of big, middle and small cities with small towns”. Therefore it is needed to grab strategy chance and effort to promote transition from concentrated global city region to dispersed global city region with many centers.

2. Implement strict regulatory policies on population and industry admittance and on using of primary factors of production.

Implementing strict regulatory policy on population and industry admittance and on using of labor force, land and environment, from one side can help to decrease supply of primary factors, adjust market demand and supply, increase cost of using labor, land and environment, decrease

comparative advantage of primary production factors, decrease opportunity cost of innovations and in the long-run development, continuously increase sensitivity of enterprises in competitive force training, motivate development and using of Beijing's innovative resources. From the other side, it can help to ease population and industry pressure and manage "developing global city disease". Therefore, implementing strict regulatory policy on population and industry admittance and on using of labor force, land and environment will help to break through the "trap" and avoid city disease. In fact, Beijing, Shanghai and other developing global cities of China are implementing these strict regulatory policies. For example, Beijing city active implementation of "Commodity housing leasing control" of 2010, increased clearance and reorganization of "group rental" and underground civil air defense facilities, and reached the goal of "managing people by housing policy"¹¹.

3. Implement policies on decreasing direct innovations costs and risks

Besides continue improving intellectual property protection system and culture, it includes two more issues. First, by all means break regional and departmental segmentation of innovation factors and build healthy, convenient and efficient market and platform for integration of innovation factors; second, implement more competitive shareholding and taxing stimulation policies. For example, to implement ratification of State Council about building a country independent innovations representative area in Zhongguancun Science and Technology Area, in 2010 Beijing Zhongguancun proposed and implementing "1+6" policy, where "1" stands for setting a platform for innovation resources and "6" stand for 6 policy issues to support implementation of pilot reforms in Zhongguancun, these include experimental policies on proceeding and use of scientific achievements of central public institutions, tax preferences, shareholders stimulation, management of research funding distribution, recognizing of high and new technology enterprises and building of whole country off-site transaction market. The goal of these policies is focused on above mentioned two aspects of reducing direct costs and risks of innovations, thereby help Beijing to overcome "traps" and to transfer to innovations driven development.

¹¹ This new regulation explicitly prohibit group rental activity and is important for standard housing leasing market, but to get positive effect from new regulations, further set of policies and services are required. For example, to define further degree of lower rent house supply, it is needed to widen rent conditions, decrease consolidated tax on leasing market and increase level of supervision, thereby implementing strict measures on housing regulation, it is possible to reach the goal of "managing people by housing policy" and efficiently increase living quality of resident population. Beijing is currently taking corresponding efforts, for example, "Suggestions on strengthening and innovation of social administration and promotion of social construction" from June 3, 2011, seek for further ideas on improving the social administration, including strict limit of population, improvement of different aspects of population control and facilitate larger public service coverage for resident population. At the same time, as mentioned above, security framework for systematic regional coordinated management is required for implementing rational flow of population and promotion of public service equality.

4. Implement strategy of promoting overseas development interest.

Increasing comparative advantage of overseas development is opportunity cost “trap” of stepping over domestic scale economy, and is necessary choice to promote overseas development. Overseas development itself, is a key to significantly reduce costs and risks of international transactions, it increases efficiency and profits from international communication. Latter mainly include two aspects, one is to remove institutional segmentation and establish international public institution with healthy flow of people, goods, commodities, capital etc. second is to establish healthy city infrastructure of overseas interconnection on the basis of transport and communication. For example, science Beijing Olympic Games and global financial crisis in 2008, to increase comparative advantage of overseas development, Beijing took series of strategic actions, including construction of second international airport during the Twelfth Five Year Plan and permanent right to hold China (Beijing) international service and trade fair ratified by State Council in 2010. At the same time, it is needed to actively plot “Yuanmingyuan Peace Prize” which will be equivalent to Nobel Peace Prize, and speed up the transition of Beijing air harbor bonded area to free trade area.

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