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What Makes China So Different From Its Neighbors?

There is a religious verse that begins, "how is this night different from any other night," and one might similarly ask how China's development path and economic ascent is distinct from that of East Asian Tigers and Cubs of past decades? It is easy to spot the similarities—they have all embraced export-driven strategies, penetrated world markets and competed vigorously for market share. What, however, makes China's rise so unique, so remarkable and yet so troubling to many?

The main distinguishing feature is the sheer size of China, an economy where a 10 percent gain in national income is greater than the GNP of 120 countries on the planet, excluding small states. Measured by GNP, population or international reserves, China is indeed formidable. Along with economic power comes clout, and some in the region worry about China's geo-political aims. Recall that Korea, Taiwan, Singapore and Hong Kong all saw economic development as a defense against their neighbors. China's newfound wealth, size and political system, however, make its economic power more threatening to those around it.

In the economic context, what is different about China? First, its market size makes it so attractive to investors that they are willing to run the risk of seeing their technologies absorbed and domestic markets taken by local firms with better state connections. Contrary to others who had to compete for new technologies, China can pick and choose. Second, China is lower middle income in per capita terms, but it is not short of capital; indeed, it is a capital exporter at a much earlier stage of development than Korea or Singapore. And third, what China does in commodity, export and capital markets has global consequences, as seen by the countercyclical role it played in the recent global economic crisis and the influence of its demand for raw materials on world prices.

In light of these facts, China appears able to engage global rules in a materially distinct way from other Asian overachievers. Although Korea competed vigorously with Japan to capture its technologies and export markets, Malaysia played hardball with investors to gain advantage, and Singapore was no wallflower when pursuing its national interest, China's story is different. It is being touted as part of a new elite G-2, on par with the US, based on it future growth outlook. With precociousness as an emerging power come earlier responsibilities, not shouldered by others in the region at this stage of economic development. As a result, China will be held to a higher standard of behavior.

Despite joining the WTO early, China has, according to some, not opened key sectors. Others complain about a lack of adherence to property rights, safety standards and Internet freedoms. And, of course, there has been considerable noise about China's exchange rate as well other state subsidies that enable Chinese firms to gain what is seen as unfair advantage. That said, what should the international community expect of China and vice versa?

China may wish to see the US rebalance savings and investment, lower deficits and rely less on its reserve currency status. It might also hope for sufficient domestic job creation so that off shoring is not seen as the main culprit for US unemployment. At the same time, China may need to show more flexibility in its trade and exchange-rate policy and more tolerance of foreign competition in domestic markets. Why? Because its own growth trajectory depends on the health of the OECD economies and a common commitment to openness and cooperation.

China has the most remarkable economic track record of any country in the last 30 years. Its success stems from hard work, smart policies and a tolerant global system. Nowadays, however, the costs associated with global forbearance have risen sharply. China is no longer the poor developing country whose adherence to international norms was optional. It has tremendous potential to do good for itself and the global economy if it can accept the additional responsibilities that come with its enhanced economic status. ■