

## A long winter

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The cold war between China and Japan is unlikely to see a thaw in 2014

Of all the unresolved territorial disputes that still disfigure the political map of Asia, one of the most trivial in terms of geography may carry the biggest risks of escalation and even conflict in 2014. The five tiny islets and three tinier rocks known in Japan as the Senkakus and in China as the Diaoyu islands are uninhabited but claimed by both countries.

The simmering dispute flared in September 2012 when Japan's government bought from a private Japanese landlord the three islands it did not already own. Relations between China and Japan have since deteriorated to their worst level in 40 years of diplomatic links. Conflict will probably be avoided in 2014; but significant improvement in ties is not on the cards.

This may seem unduly gloomy. Both sides have so much to gain from patching things up. The risks are high, since the two countries are no longer merely claiming sovereignty over the specks, at the end of the chain that includes Okinawa. Both are now also claiming, in effect, to control them.

In the year after Japan's "nationalisation" of the islands, more than 200 Chinese vessels entered their territorial waters and more than 1,000 went close, into their contiguous waters. Japan has on several occasions scrambled fighter jets in response to intrusions by Chinese aircraft or drones. The danger may be less of a deliberate armed provocation than of an accident.

Another reason to reach some sort of compromise is that both countries' governments are preoccupied with domestic economic problems. Japan hopes to sustain the tentative revival the economy has enjoyed under Shinzo Abe, prime minister since December 2012. China is grappling with the inevitable slowdown from a decade of double-digit growth. Both could do without disruption to their extensive commercial linkages.

China is still Japan's largest trading partner, though in 2013 America overtook it as an export market, as China sharply cut imports from Japan. For its part, Japan is the largest foreign investor (not counting Hong Kong) in China. But in the first half of 2013 direct Japanese investment into China fell by 31%, compared with the same period in 2012, to \$4.9 billion. Japan invested more than twice as much in South-East Asia. Part of the shift can be explained by rising Chinese labour costs. A big chunk, however, is a result of the political tension. Japanese firms have suffered consumer boycotts and protests in China, and arbitrary (and undeclared) harassment in the form of, for example, customs delays.

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The economic stakes are so huge, and the consequences of accidental conflict potentially so catastrophic, that 2014 will see repeated efforts if not to resolve the dispute then at least to set it to one side. They will fail, for a number of reasons.

The main one is that each government has put itself in a position from which it cannot back down. Mr Abe won the 2012 election by promising to revive Japan in general and stand up to China in particular. He is under pressure from the right to do more: to station officials on the islands, or build a lighthouse there. The seemingly modest concession China demands—to accept that the territory is "disputed"—will be beyond him.

### Dream or nightmare?

Unless he makes it, however, China can hardly abandon its challenge. It portrays the nationalisation of the islands as one of a series of humiliations at Japan's hands. It sees the Senkakus/Diaoyus as having been seized by Japan after its victory over China in the war of 1894-95—a wound to Chinese nationalism perhaps more painful than even the opium wars.



China's government is itself hostage to popular anti-Japanese sentiment—expressed especially forcibly these days online—though it helps stoke it. Nationalism is certainly part of the "Chinese dream" promoted by the Communist Party's leader, Xi Jinping. The concept is vague, but includes standing tall on the world stage, and winning the respect of China's Asian neighbours.

Indeed, China sees Japan's assertiveness over the islands as part of a broader right-wing attempt to forget about its defeat in the second world war, after which the Diaoyus were put under American administration. They were returned to Japan in 1972. America now says it takes no position on their sovereignty, but that it regards them as administered by Japan and so covered by its security treaty with Japan.

Some Chinese analysts think China's tough stand over the islands is intended in part both to demonstrate to America the dangers of its alliance with Japan, and to encourage it to force Japan to back down. The chance of the world's two superpowers becoming embroiled in conflict over the islets seems so outlandish that this might be a plausible tactic. But with America still asserting the importance of its strategic "rebalancing" towards Asia, 2014 is not going to be the year when it abandons its most important Asian ally. ■

### 2014 IN BRIEF

America strengthens its military presence in the Pacific, increasing to 1,150 the number of marines based in Australia

