

China and Japan: Asian Titans on an inevitable collision course?

The slightly reined-in high-decibel and strident nationalistic outbursts on both sides do not hide the fact that the current row between China and Japan goes well beyond attitudes about history and textbooks (however few actually in use).

Much has been written about the other real bones of contention: Japan's manoeuvre for a permanent seat in the UN Security Council, her attempt to explore for oil and gas in disputed waters with China, and her related territorial claim on the Diayu islet in the East China Sea.

However the row is to play out, questions are beginning to be asked whether this signals an inevitable long-term collision course as the two Asian Titans continue to vie for elbow room.

Both are extremely short of energy and metal resources, the life-blood for continuing industrial and economic development. China is already miffed by Japan's part in thwarting her efforts to secure the original Russian pipeline planned across China's northern region.

Nor is China happy with having to accept a recent 70% hike in the price of iron ore heavily under the influence of Japanese steel giants.

Both countries are anxious to reduce their over-dependence on oil imports from the Middle East (80% of Japan's crude and half of China's oil imports). Both are wooing oil or metals producing countries in South America and Africa and are building up a global network of energy and mineral resources investments and alliances.

For China, a rapid rise from a low base with a fifth of the world's population is set to hit global resource constraints to future growth. Forecasts have suggested that at 8% annual growth, China is likely to reach US average income levels at PPP by 2030-40. If China by then should replicate US's current voracious consumption patterns, it would need to consume about two-thirds of current world production.

Japan's close alliance with the US is viewed as a potential threat to China's interests. Not only would this tip the balance of influence in their global search for energy and materials, but Japan is seen to assist in China's perceived US's encirclement. Japan's recent first-ever joint statement with the US over security in the Taiwan Strait is a case in point. Hence China's anxiety with Japan's efforts to secure a permanent seat at the UN top table.

But the irony is that an important part of the elbow room China and Japan need respectively lies in each other's home. They are each other's second biggest export market. China craves Japanese technology as much as Japan relies on outsourced manufacturing in China and her demand for Japanese high-end parts and components to revive her still plodding economy.

An escalating row would risk a slow down in these two world leading economies with regional and global economic repercussions coming back to haunt them. In particular, it could prompt international investors in China to seek out precautionary alternatives.

At the latest National People's Congress, Premier Wen already flagged up a daunting list of internal challenges to maintain China's economic and social stability. Added to these are incessant international pressures on the questions of the RMB, Taiwan and North Korea and a looming demand from the West for greater reforms following recent democratic ripples in the Near East. All these would see the US as a leading protagonist.

With the 2008 Beijing Olympics steadily approaching, China would be the last to allow the current row to rock the boat too much or for too long. Similarly Prime Minister Koizumi's personal popularity at home would not last him very long if the Japanese economy continues to wobble and become finally unstuck.

Nevertheless, a little time is still needed for wounds to heal and heads to cool. Economics can't dictate everything and neither government can switch on or off popular sentiments, especially in cyberspace. It would also be facile to under-estimate the strength of public feelings in China about some of the worst war crimes committed on the Chinese people in living memory, especially when such feelings are stoked by rising Chinese national pride.

But the proximity of the two Asian Titans remains, at once competing and potentially symbiotic in their relationship. In a way this is like many other countries in an inter-dependent world of globalised competition. Perhaps the only differences are their size and geopolitics.

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