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## Trade

# China's bully tactics

China's belligerent stance toward Japan may be a sign of things to come in Asia.

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Asian boating accidents are not uncommon. According to Ho Wing Hong, a senior ship surveyor with Hong Kong's marine accident investigation unit, there have been more than 150 collisions to date this year in Hong Kong's waters alone. Nevertheless, a recent non-fatal incident between a Chinese fishing trawler and Japanese patrol boats in the East China Sea quickly became the nautical fender-bender heard around the world, straining relations between the world's second- and third-largest economies. And after watching a minor marine altercation spill onto the United Nations floor, fears are rising among Asian experts that Beijing is navigating a dangerous course — one that threatens regional trade and could eventually lead to military conflict.

In early September, Japanese officials arrested a Chinese fishing crew, claiming their boat purposely rammed two coast guard vessels. The incident took place during the regular seasonal surge of fishing around the remote Senkaku islands, which are controlled by Japan, but claimed by China (and Taiwan). The disputed clumps of land are small and barren, not to mention overrun with feral goats — but they sit in waters rich with tuna and oil.

Shortly after the collision, Japan released the trawler crew, but kept the boat's 41-year-old captain, Zhan Qixiong, insisting he had to stand trial. As a result, Qixiong became an instant folk hero in China. Bricks were tossed at a Japanese school in Hangzhou. Protestors descended on the Japanese consulate in Shanghai. Thousands of Chinese tourists cancelled trips to Japan. A Shanghai tour by Japan's top boy band was nixed.

Meanwhile, security at the Japanese Embassy in Beijing went on high alert as Communist editorials called for "countermeasures warfare" to set the tone for future conflicts with Tokyo, and China warned that failure to release the skipper would trigger "strong countermeasures, for which Japan shall bear all the consequences."

By late September, political co-operation between the nations had evaporated. But after four Japanese citizens were detained in China on suspicion of spying, the boat captain was released by Japanese authorities to try to cool things down.

William Grimes, director of Boston University's Center for the Study of Asia and author of *Currency and Contest in East Asia*, insists the Japanese handled the dispute professionally, while China significantly overreacted. "Even if we accept that the waters are disputed," he says, "China's response was very disproportional. This will significantly weaken China's image as a responsible partner, not only for Japan but also for other neighbours."

But Usha Haley, a professor of international business at New Zealand's Massey University and bestselling author of numerous books on Chinese trade and industry, argues China overreacted on purpose — as part of escalating efforts to see how far it can bully other nations around, especially Japan.

"These nations," she says, "seem to be on a diplomatic collision course."

Haley notes that Chinese Foreign Minister Yang Jiechi recently advised attendees at the Association of Southeast Asian Nations Regional Forum, along with U.S. Secretary of State Hilary Clinton, that smaller Asian countries that depend on China for prosperity should not expect to be treated as equals. He also said they should think twice before disputing China's territorial claims, which include the Indian state of Arunachal Pradesh and the Yellow Sea, where China has tried to prevent naval exercises by the U.S. and South Korea.

In Japan, China pushed territorial buttons this year by sending naval vessels, including destroyers and attack submarines, through Japanese waters on their way into the Pacific Ocean. And Haley says the boat-captain incident has further diffused local opposition to American forces on Okinawa, and has strengthened Japanese public support for stronger ties to the U.S. "Japan has enormous problems with its aging economy and aging population," she notes. "But China has stoked the Japanese nationalist fire and put steel in their spine. The general rhetoric in Japan today is that it is time to stop Chinese bullying. And China is being a bully. The first thing they did was stop shipments of rare-earth materials to Japan. They didn't do it officially, but they did it administratively. And Japan is very sensitive to trade issues. If you remember, Pearl Harbor occurred after the United States halted oil exports."

Meanwhile, Haley adds, the U.S. air force is now voicing a need for long-range bombers aimed at "small wars in the region."

As relations between Japan and China return to normal, Haley advises companies to remember what happened to rare-earth shipments. "This is the story of a rise of a super power, one that is flexing to see how far it can go." The big takeaway for business, she says, is "the need to diversify sourcing." She also says that the reports of Chinese-based cyber attacks on Japan that followed the detention of Qixiong should be taken seriously.

Charles Desnoyer, director of Asian Studies at La Salle University in Philadelphia, says nobody who follows history should be surprised by how fast this incident heated up. But he doesn't think China is ready to risk "international opprobrium" by using military might to enforce its territorial claims. After

all, he says, "the U.S. would likely interfere, or attempt to mediate, and Japan's Self-Defense Forces, though not large, are superbly trained and well equipped, making a Chinese military move extremely risky."

But Desnoyer also notes that China is getting cocky after recently passing Japan in GDP (not to mention Germany in exports). And he thinks "the time may not be far off when Beijing may indeed flex its military muscle. The most likely venue for this, however, remains, for the moment at least, Taiwan."