

Discord in East Asia overshadows financial cooperation

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GREATER NOIDA, INDIA — Asia-Pacific finance chiefs vowed to work together to further local growth during the Asian Development Bank's annual meeting, but acute friction among the region's three largest economies - China, Japan and South Korea - cast a shadow over this ambition.

With no signs of its ties improving with Beijing and Seoul, Tokyo sought to use the ADB gathering, which wrapped up Sunday in New Delhi, to deepen relations with Southeast Asian economies, hoping to capitalize on their rapid growth and revitalize its own moribund economy.

Amid escalating political tensions in East Asia, China and South Korea elected against sending their finance ministers and central bank governors to an ASEAN Plus Three meeting Friday on the margins of the main conference. The forum comprises the 10 members of the Association of Southeast Asian Nations and Japan, China and South Korea.

China's vice finance minister, dispatched to New Delhi as a stand-in for Finance Minister Lou Jiwei, said the dual absence of his boss and the Chinese central bank's governor was due to current "domestic, important discussions." The envoy claimed the move was in no way related to the diplomatic strains with Japan over the Senkaku Islands.

But a former senior Finance Ministry official who traveled to the New Delhi confab to attend some of the events said the absence of the Chinese and South Korean finance leaders was apparently due to the imbroglios with Beijing over the Senkaku islets and with Seoul over the Takeshima islets administered by South Korea but claimed by Japan.

Matters were hardly helped when Finance Minister and Deputy Prime Minister Taro Aso made provocative remarks about China at the conference Saturday and showed little intention of seeking to heal the bilateral relationship. Japan has "never enjoyed smooth relations with China in the past 1,500 years," Aso, Prime Minister Shinzo Abe's right-hand man, told an audience of businesspeople at an ADB-related event.

Aso recently enraged Beijing, as well as Seoul, by visiting controversial Yasukuni Shrine, along with several fellow Cabinet ministers. The shrine honors Japan's war dead, along with a number of Class-A war criminals.

This is not the first time China has slighted an international conference: It decided against sending its finance chiefs to the annual meetings of the International Monetary Fund and World Bank in Tokyo last October. Just a month earlier, the Japanese government infuriated Beijing by purchasing three of the five main islets in the Senkaku chain.

A trilateral meeting between Tokyo, Beijing and Seoul held regularly on the sidelines of annual ADB get-togethers since 2000 also fell victim to the tension and was scrapped this year in what some analysts said was an attempt by Beijing to marginalize Tokyo. China, this year's chair, canceled the gathering by citing a lack of major topics that needed to be discussed among the three neighbors.

A government source close to Aso said he would never plead with China to organize a bilateral meeting on resolving the increasingly bitter Senkakus standoff.

But analysts point out that despite Tokyo's acrimonious relations with Beijing and Seoul, the two countries' economies remain critical for Japanese companies. Meanwhile, the ADB warned of a potentially negative ripple effect on the broader regional economy unless tensions are reined in.

"The angry exchange of words escalated into a PRC (People's Republic of China) boycott of Japanese goods, causing a sharp drop in trade and engulfing Japanese investment in a cloud of uncertainty," the bank warned in its 2013 Asian Development Outlook report issued ahead of the New Delhi conference.

Such a situation poses "a clear risk to the outlook" of the wider Asian economy, the report concludes.

With no side willing to back down for now in either the Senkaku or Takeshima sovereignty clashes, Tokyo is looking to foster stronger economic ties with Southeast Asian countries. On Friday, Japan launched a new framework for financial cooperation with ASEAN member nations and held the inaugural meeting of their finance leaders and central bank chiefs on the sidelines of the New Delhi pow-wow.

This gathering was organized separately from the framework of the ASEAN Plus Three, underscoring Japan's efforts to build its influence in the fast-growing regional bloc instead of focusing on getting relations with China and South Korea back on track.

Kayo Mimizuka, Kyodo News, May 8, 2013

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<http://www.japantimes.co.jp/news/2013/05/08/national/discord-in-east-asia-overshadows-financial-cooperation/#.UZGleUpOj1U>