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LEADERS FRET OVER JAPAN'S SOURED TIES WITH CHINA, S. KOREA

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Asian leaders from the business, government and academic realms showed pessimistic views over whether robust economic ties between the region's three biggest economies can trump their stained political relations as the World Economic Forum started a two-day regional meeting Thursday in Tokyo.

"Parochial nationalism must be eliminated" among Japan, China and South Korea, said Chen Feng, chairman of China's Hainan Airlines. Chen was speaking at one of a number of sessions organized by the Swiss-based institution to discuss measures to create more value-added corporate activities and sustainable growth in Asia.

Peter Beck, director of the International Crisis Group of South Korea, fretted that the threat of military clashes over territorial disputes and energy needs is a real one with a "statesmanship deficit."

The discussion came at a difficult time of strained relations between the three countries over Japan's aggression before and during World War II and some territorial disputes over energy resources.

China and South Korea, which suffered under Japanese militarism in the first half of the 20th century, have criticized that Tokyo has glossed over its past deeds, especially citing repeated visits by Japanese Prime Minister Junichiro Koizumi and other political leaders to the Yasukuni Shrine, where convicted war criminals are honored along with the war dead.

China's anger at Koizumi's visits to the Tokyo shrine has put a halt to the reciprocal visits between top leaders of Japan and China that had been taking place since 2001.

But despite this problem, economic ties between the two countries seem to have flourished with China overtaking the United States as Japan's biggest trading partner in 2004.

Makio Miyagawa, director of the Japan Institute of International Affairs, expressed concerns that intransigence over the territorial issues that pit Japan against its neighbors has masked possible solutions at hand, while Yotaro Kobayashi, chief corporate adviser at Fuji Xerox Co. of Japan called for a "maturing and wiser citizenship" throughout East Asia.

The World Economic Forum on East Asia, the first such meeting held in Japan, came in partnership with the Japan Association of Corporate Executives, an influential business lobby, which marks the 60th anniversary of its establishment this year.

Under the theme, "Creating a New Agenda for Asian Integration," about 300 participants from 27 countries also discussed issues ranging from energy policy to the emergence of China and India.

"Asian countries' mutual dependency in trade has increased much and now almost matches that of European Union members," Junichi Ujiie, chairman at Nomura Holdings Inc. of Japan and one of the co-chairs of the meeting, told a press conference. "Any integration in the region seems to be no longer just an idea, but based on reality."

The United States will back pro-growth and pro-stability developments in Asia, said U.S. Treasury Undersecretary for International Affairs Tim Adams, who joined the meeting as a special guest.

Politicians must avoid creating a "fortress Asia that is hijacked by one country or two countries that seek to dominate the region and use that as a vehicle or tool to close off the outside world," Adams said.

The emergence of China and India as powerful economies in the world amounted to a major topic in the meeting.

Haruo Shimada, a professor at Japan's Keio University, argued that Japan has developed the technology and techniques that China and India need to boost energy efficiency. "There is no need for China to develop new conservation technology. Japan has done it. You can just grab it," he said.

Victor Chu, chairman and chief executive officer at First Eastern Investment Group of Hong Kong, said that instead of "smart growth," the focus should be on how China and India can develop "smart leadership."

Zhang Xiaoqiang, vice chairman of China's National Development and Reform Commission, said, "I think many Asian companies are climbing the value-added ladder rapidly."

Referring to successful Chinese multinationals, he said, "Some Chinese enterprises...did very successful international business. They did a lot of things to collaborate with local communities." Zhang added that "linkage with people" is a key to a "favorable environment for long-term development."

Some Japanese government leaders also took part in the meeting.

Economy, Trade and Industry Minister Toshihiro Nikai urged East Asian economies to

set up free trade agreements and an Asian version of the Organization for Economic Cooperation and Development.

"In order to improve the East Asian economy, it is important to set up systems that would help flows of people, products and money in the region," Nikai said in his speech at a forum session.

The minister said the East Asian market can attain further growth by forming FTAs among the region's economies.