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# China Bank Chief Pulls Out of IMF Meeting

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China's central bank Gov. Zhou Xiaochuan is the latest banker to pull out of the annual International Monetary Fund meeting in Tokyo. The WSJ's Jacob Schlesinger explains why China's method of protesting against Japan may not be viewed positively on the international stage.

**TOKYO—**China's central-bank governor has pulled out of the annual meeting of the International Monetary Fund, as Beijing ramps up its protest over a continuing territorial dispute with Japan, signaling that the diplomatic spat is spilling over into the realm of economics.

Zhou Xiaochuan had been scheduled to play an important role at the IMF meeting, which has on its agenda a number of pressing global economic issues, including how best to deal with the continuing euro-zone crisis.

China is a major participant in those discussions and its central bank is a large purchaser of euro-zone bonds. China will be represented at the IMF meeting by the No. 2 officials at the People's Bank of China and finance ministry, neither of whom has international contacts or the standing of Mr. Zhou.



Associated Press

People's Bank of China Gov. Zhou Xiaochuan, here in May, cancelled plans to attend the IMF meeting in Tokyo--signaling a major escalation in a territorial dispute between China and Japan

An IMF spokesman said Wednesday that Beijing had informed the fund two days ago that Mr. Zhou's schedule might cause him to cancel his attendance at the meeting and the cancellation of his lecture. Mr. Zhou's deputy, Yi Gang, will give the lecture in his place. China's state-owned news agency, Xinhua, reported earlier Wednesday that the deputies would represent China.

Analysts said Mr. Zhou's cancellation represented an escalation of its protest over the territorial dispute—and perhaps a decision on Mr. Zhou's part that it was too politically perilous to travel to Japan just weeks ahead of scheduled turnover in leadership in Beijing. It isn't

clear how long the 64-year-old Mr. Zhou will be asked to stay in his position or whether he will get a new job under the new regime. Retirement is usually at age 65.

"China clearly does not feel the need to be subtle or nuanced in making apparent its displeasure about the escalation of the territorial dispute with Japan," said Eswar Prasad, a former senior IMF official on China now at the Brookings Institution. "China is making it clear that it puts territorial sanctity above all other political and economic considerations."

Mr. Zhou's cancellation follows a previously announced decision by a number of China's top bankers to cancel planned appearances at the IMF meeting because it is being hosted in Tokyo, as a protest in the territorial dispute over the islands called the Senkaku in Japan and Diaoyu in China.

In reporting that development earlier this week, Xinhua—which Beijing uses to make official policy announcements—said it was further evidence that the dispute was "now starting to weigh on the world's economy."

The long-standing territorial row intensified last month after the Japanese government purchased the islands from private Japanese owners, formalizing Japanese control over the territories. That was followed by widespread anti-Japanese rallies across China, some turning violent.

While the protests have calmed down, the economic toll seems to be continuing. Japanese auto makers have reported in recent days that sales in China plummeted last month, as anti-Japanese sentiment spread. Chinese consumers may also worry that Japanese cars can become targets for vandalism.

Japanese government officials have maintained that any backing out by the top Chinese officials at this week's IMF meeting would hurt China more than it would embarrass Japan, by undermining China's credibility as a member of the world community and deprive it of chances to strengthen ties with other nations using an international gathering.

"That would be self-defeating for China," a Japanese government official said Wednesday. "That would mean they had thrown away good opportunities by themselves to meet and talk with important people from across the world."

Another official played down its potential impact on the meetings themselves, saying the Chinese officials who are coming to Tokyo are capable of handling financial issues on behalf of their bosses.

Japan's government is preparing a public statement saying it will keep communicating with China's government and that economic activities between China and Japan are important, people familiar with the matter said.

Thus far, the news hasn't roiled markets. Mizuho Securities market economist Teruyoshi Sotome said "even if there is anti-Japanese sentiment among the Chinese, China as a nation has no choice but to keep buying some amount of (Japanese Government Bonds) as long as their current account keeps increasing. It is too risky to concentrate all their money on the dollar, while the euro isn't that a safe place to invest now."

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