Japanese Prime Minister Junichiro Koizumi urged the European Union on Monday not to lift an arms embargo on China, adding to pressure from the United States to keep the ban in place.

The EU responded by saying no action it took would undermine stability in the region.

"I did in fact express our concern. The response was that Japan's concern is very well understood on this question of the arms embargo. The EU, while fully understanding the concerns of Japan, would like to deal with the matter so that it does not lead to a problem," Koizumi told a joint news conference during an EU-Japan summit.

Luxembourg Prime Minister Jean-Claude Juncker, who holds the EU presidency, said he had assured Koizumi that if the EU did decide to lift the ban imposed in 1989, it would enforce other rules to prevent exports that could endanger Asian security.

"The European Union has explained that it is not at all our intention to take any immediate practical steps in respect of this embargo," he told the news conference. The EU imposed a ban on most arms sales following the suppression of pro-democracy protests in Beijing's Tiananmen Square, but most EU leaders now consider it an anachronism and an impediment to better relations with an emerging Asian giant.

The Luxembourg presidency is committed to seeking a solution by June, with EU heavyweights France and Germany leading the drive to remove it, despite fierce opposition from Washington.

But a recent law passed by Beijing, giving itself the right to use force should Taiwan formally seek to secede from China, has led many EU member states to rethink their position.

TENSE TIES

Relations between Japan and China have been prickly for decades, and old rivalries have flared in recent weeks, further adding to Japan's fears of an end to the embargo.

East Asia is also tense following an apparent North Korean missile test at the weekend.

"We see it (the China arms embargo) in the context of regional security. We believe it will affect the security situation in East Asia," a Japanese government official told reporters.

"There is a gap between Japan and the European Union in understanding of the arms embargo to China. For Europe, China is a lucrative market," he added.

Despite sharp differences over the arms ban, the two sides were at pains to stress their successful economic relationship.

Juncker said the 25-nation EU, with a population of over 450 million, and Japan together "represent 40 percent of the planet's gross domestic product. They also account for 30 percent of world trade."

European Commission President Jose Manuel Barroso said the trade in goods and services between the EU and Japan was worth 150 billion euro ($193 billion) in 2004.

The two sides still appeared deadlocked over a site for the world's first nuclear fusion reactor, in which the EU and Japan are partners with China, the United States, Russia and South Korea.

The EU wants to see ITER, the International Thermonuclear Experimental Reactor, built in France, while Tokyo wants it in Japan. Koizumi was evasive when asked if he could ever support the project going to France.

"Discussions are proceeding so that an agreement can be produced among the six parties. We agreed that we should engage in efforts so an agreement can be reached as early as possible," he said. ($1=.7772 Euro)