



FINDING AN ADVOCATE: THE ROLE OF THE PRIVATE SECTOR IN KOREA-JAPAN RELATIONS

By Kristin Vekasi and Jiwon Nam

Abstract

Tensions between South Korea and Japan are frustratingly persistent. Despite the shared interests of both countries, such as economic development in Southeast Asia, and keeping a robust alliance with the United States, South Korea and Japan maintain a bellicose relationship because of unresolved historical misunderstandings and territorial disputes. Inconsistent diplomatic policies and lack of strong leaders have made it difficult to prevent unnecessary hostility between South Korea and Japan. Fear of losing support has prevented politicians from pursuing friendly policies towards each other. Businesspeople, too, have been reluctant to pursue friendly policies towards each other, because of preconceived risks of being targeted for backlash. An examination of economic data shows these risks are minimal, and political tensions do not affect business or consumer behavior. Current efforts from both Korean and Japanese business organizations to improve cooperation include student exchange programs, recruitment processes, and public diplomacy. We urge the business community to advocate more to improve bilateral relations. Economic relations alone are insufficient to handle the task of improving a difficult relationship; there is also a need for leadership. In South Korea-Japan relations, the business community should step in and provide that role.

Key Words: *South Korea-Japan relations, political tension and economic exchange, role of businesspeople, private sector, public diplomacy*

Introduction

Since fall 2018, South Korea and Japan have been locked in a depressingly familiar political cycle. In October, the Korean Supreme Court ruled that Japanese companies Nippon Steel and

Sumitomo Metal Corporation were liable for compensation for forced labor during the Japanese occupation of the peninsula. In November, tensions escalated. An uneasy detente in the fights over historical memory brokered by President Park and Prime Minister Abe in 2015 shattered. The Korean government decided to disband the Reconciliation and Healing Foundation designed to remedy the unresolved issue of wartime coercion of Korean women. The courts added Mitsubishi Heavy Industries to the list of companies liable for wartime actions, and the Koreans and Japanese had a standoff in disputed waters. In December, the Japanese accused a South Korean destroyer of targeting a Japanese aircraft patrol with its radar. This incident increased bellicosity on both sides, with neither side willing to admit the error. The dynamics of this most recent imbroglio reflect the dynamics of decades of South Korea-Japan relations.

South Korea and Japan have many shared interests and alliances. They have mutual dependence on economic engagement with China and their firms share similar concerns about the risks of doing business with China. They share an alliance structure with the United States, and the mutual experience of having foreign allied troops based on their land. They share long, pragmatic trade ties, even as they also start to compete in some sectors. Both countries share an interest in maintaining open and secure resource and trade sea lanes through Southeast Asia. These commonalities, however, rarely prevent conflicts based in history, identity, or territory.

Given the benefits of long-term positive engagement, why is it so difficult for the two countries to move to a new equilibrium? Many people point to unresolved issues of history, claiming that the issues between South Korea and Japan stem from a lack of

Kristin Vekasi is an Assistant Professor in the Department of Political Science and the School of Policy and International Affairs at the University of Maine. **Jiwon Nam** is a graduate of the Master of Arts in Global Policy program at the University of Maine's School of Policy and International Affairs. The views expressed are solely those of the author and do not necessarily reflect the views of any organizations they are affiliated with. This paper is the hundred-and-seventh in KEI's Academic Paper Series. As part of this program, KEI commissions and distributes approximately ten papers per year on original subjects of current interest to over 5,000 Korea watchers, government officials, think tank experts, and scholars around the United States and the world. At the end of the year, these papers are compiled and published in KEI's On Korea volume. For more information, please visit www.keia.org/aps_on_korea.

Korea Economic Institute of America
1800 K Street, NW, Suite 300
Washington, DC 20006
www.keia.org



resolution about the Japanese colonial period. Scholar Jennifer Lind notes that this focus on history is a choice by leaders; more reconciliatory narratives are possible, if that choice is politically feasible. The challenge then, is to find a path that makes more conciliatory messages realistic in the contemporary political setting. A source for some of these changes must come from political leadership. If Korean and Japanese leaders continue to use the other country as a source of distrust and fear in their rhetoric, then it is unlikely that positive change can occur. Without a constituency dedicated to improved relations, elites are unwilling to invest in more positive relations.

In this paper, we propose that cooperation and leadership from the private sector may be one possible pathway to improve Korea-Japan ties, and one that is relatively low risk. We find that economic—and to some extent cultural—engagement is founded on mutual pragmatism and admiration. Business leaders certainly tend to prioritize stable relationships and profits over political posturing. We also find that ordinary Koreans and Japanese do not link their consumer behavior with their own hard feelings about politics. This state of affairs provides an opening for business leaders to pursue private sector diplomacy and work to improve relations between the two countries.

In some contexts, particularly in the lessons learned by both South Korea and Japan in China, there is a real business risk for foreign businesses if they wade into politics. We demonstrate that the same is not true in the Korea-Japan relationship. Our research suggest that the risks of public backlash are in fact limited when it comes to economic engagement. Japanese and South Korean businesses can and should promote closer political ties with fewer concerns about backlash from their consumer or client base. The paper begins by outlining the perceived risks to the business community from political tensions, followed by an examination of evidence showing that these perceived risks do not translate into concrete consequences. We next outline cooperative activities that the Korean and Japanese business communities currently pursue, and we conclude with recommendations of further steps they can take for a stronger advocacy role.

The Risk of Engagement?

A shift to advocacy may not be easy, as the specter of risk looms large. Common understanding of the Korea-Japan relationship indeed assumes that engagement or advocacy is high-risk and low-reward. If firms are seen as symbols of their home country,

or if they become connected with politically contentious issues, there are concerns that they could become targets. In his 2019 Independence Movement Day address, President Moon Jae-In brought historical grievances of cooperation with Japan to the forefront:

Wiping out the vestiges of pro-Japanese collaborators is a long-overdue undertaking. Only when we contemplate past wrongdoings can we move toward the future together...What we intend is neither to instigate divisiveness by reopening old wounds now nor to create issues for diplomatic conflicts with a neighboring country. Neither of these is desirable. Wiping out the vestiges of pro-Japanese collaborators, just as with diplomacy, should be done in a forward-looking manner.¹

With comments like these, combined with the recent seizure of Japanese company assets for historical forced labor issues, it is not surprising to see a reluctance to engage on the part of the private sector in Japan or Korea. To do so may bring unwanted attention, and may risk the private sector becoming the next target.

Japan's political leadership, for its part, has been inconsistent with its moves towards historical reconciliation with Korea, in part because it is viewed as politically risky. As Lind writes: "Leaders who advocate for friendlier tones assume enormous risks with their political futures and even their lives—many peacemakers have been targeted for assassination by angry rightists. So the stakes must be very high indeed for leaders to pursue reconciliation."² For Korean business leaders, moves to engage further with Japan could hold the risk of becoming the target of the leftists in Korea. Potential risks for the private sector include consumer boycotts, protests or direct destruction of property, or even formal state sanctions against business interests or economic engagement. In Korean-Japanese history, there appear to be troubling examples of these behaviors, which give businesses pause.

South Korean Backlash

The Korean think tank Asan Institute wrote in 2013 that because of Japan's poor favorability ratings, "the risk of public backlash for engaging Japan is thought to be embedded with no clear upside."³ Indeed, scholars have found that Korean politicians can and do use a "Japan card" to boost public opinion ratings, or in electoral activities.⁴ For the private sector, in which the



primary goals are maximizing current and future business opportunities, the risks of advocacy seem exponentially higher than any benefits.

South Korean public opinion ratings about Japan are consistently low. In times of political frictions, such as the 2014-2015 frictions when Japanese Prime Minister Abe's government pushed through new security legislation, Koreans hold overwhelmingly negative perceptions of Japan (around 70% versus 20% positive). When relations are more even-keeled, around twice as many Koreans still hold negative perceptions of Japan (at best only 50%). Japanese public opinion is slightly stabler, but not more optimistic. Typically, around 45-50% of Japanese hold negative perceptions of Korea, and 25-30% hold positive perceptions. Reasons for distrust also parallel each other: dissatisfaction over territorial issues (approximately 30% of Japanese respondents and 70% of Korean respondents), and the issues surrounding historical apologies (70% of Japanese respondents and 75% of Koreans). Majorities in both countries also hold pessimistic views of bilateral relations and the possibility of future improvement.⁵

One risk is the backlash against companies in Korea that purportedly collaborated with Japan during the colonial period. After colonization ended in 1945, economic relations were severely curtailed and Japanese-owned companies on the peninsula were turned over to Korean business owners. Because Japan had invested heavily in Korea's economy, many contemporary Korean companies were either founded by or financially aided by Japan, which has had political repercussions. The Institute for Research in Collaborationist Activities (민족문제연구소/民族問題研究所) was founded in 1991 to look into this history, and is a potential risk for Korean or Japanese firms that have longstanding ties.⁶ The goal of the institute is to research contemporary Korean history and uncover influential Japanese collaborators. The institute has published three volumes of names of Koreans who collaborated with Japan during colonization, how they were involved, and what happened to them after Korean independence in 1945. The institute also tracked businesses that collaborated with Japan. The companies and their assets are commonly called "Jeok San" (적산/敵産), or "enemy's wealth." These companies include national champions such as Hyundai Steel, SK group, or Hanhwa group, as well as companies less central to Korea's economic strength, such as Hite Beer or Daesun Flour Mills. In total, almost 300 companies have been implicated as benefitting from collaboration.⁷

An additional risk comes from society. Japanese firms have long experienced boycotts and property destruction following political

tensions, notably with China but also throughout Southeast Asia and with the United States.⁸ Following political disputes, similar calls to boycott Japanese products are heard in Korea. Calls from Korean activists for boycotts of Japanese products are far less consistent than other forms of protest, such as the weekly sit-ins in front of the Japanese embassy to protest the "comfort women" issue, but there are numerous examples. In 2013, some labor unions and local politicians called for a boycott of Japanese clothes, cars, and cameras until the Japanese government offered a sincere apology for wartime atrocities and dropped territorial claims to Dokdo/Takeshima. They particularly targeted well-known brands such as Mild Seven cigarettes, Asahi beer, Uniqlo clothing, Toyota automobiles, and Sony electronics.⁹ A small grocery store owner said, "My store's major profits comes from selling cigarettes, but I won't sell Japanese brands like Mild Seven even if it decreases sales revenue."¹⁰ These activities can also reach into higher political levels. The conservative Grand National Party threatened a boycott in 2001, although it was not widely implemented. In 2012, during a Gongju city council meeting, council member Park Ingyu stated:

Japan keeps calling Dokdo Takeshima and arguing that it is their territory. This behavior is unforgivable and arrogant. Japanese brands such as Sony, Toyota, Asics are prevalent in South Korea. We need to start boycotting them to let Japanese know that Korean people are angry at Japan's ridiculous arguments.¹¹

Following the 2018-2019 tensions, Koreans suggested demonstrations and boycotts to protest a proposed "Japantown" commercial center in Seoul, as some suggested it would be a magnet for anti-Japanese tour groups.¹²

Japanese Backlash

There are also concerns of Japanese backlash against Korean firms during periods of political tensions. The Korea Foundation for International Cultural Exchange (KOFICE) conducts an annual survey on how Korean culture is spreading around the world and the global popularity of the Korean Wave (*hallyu*). The November/December 2018 survey gives us insight into how Japanese connect consumer choices with political attitudes.¹³ The survey breaks down reasons for decreased favorability of Korean cultural products. For most products, the primary factor that Japanese respondents identified was the political/diplomatic situation, specifically for Korean television dramas (23.5%), television variety shows (23.5%), movies (24.7%), music (24.7%), animation (19%), video games (15.4%), and beauty



products (19.4%). For books (13%), fashion products (20.6%), and Korean food (19.2%), politics were not the primary factor, but still played a role. Among the 16 countries that were included in the survey, Japan was the only one that indicated political and diplomatic issues were important (results from other years show similar results). Other countries typically noted the difficulty of the Korean language, prices, or other market factors as barriers.

A notable example of how political attitudes could impact business/consumer relations is the recent political tensions surrounding K-pop, a major Korean cultural export. In November 2018, the Japanese television network TV Asahi cancelled the broadcast of K-pop group BTS after a member wore a shirt seen as politically insensitive. The shirt linked the atomic bombing of Japan with Korea's independence from colonial rule with images largely seen as distasteful in Japan. In Korea, however, the media expressed suspicion that the cancellation of the broadcast was related to the ruling on wartime forced labor.¹⁴ It appeared that there were immediate retaliatory commercial consequences for Korea from Japan.

In both countries, the relationship is politically tense enough that slights—small or large—provoke threats of retaliation, economic and otherwise. Given these threats, it is unsurprising that firms are reluctant to take the lead. However, as we show in the next section, these threats, ultimately, do not amount to real economic consequences. Moreover, ordinary citizens (and consumers), share a mutual desire for cooperation, and share mutual admiration for the other country's economic achievements.

Overrated Risks

Given the risks we outline in the section above, we would expect to see significant economic consequences for both Japanese and Korean firms following episodes of political friction. High-profile firms, or businesses with cultural or historical symbolism should be particularly sensitive to diplomatic risk, and industries such as tourism, that rely on goodwill should suffer. However, what we see is that post-colonial Korea-Japan economic relations have largely been pragmatic and driven by concerns of economic development rather than political concerns. In the immediate post-colonial era, neither presidents Rhee Syng-man nor Chang Myon were willing to transcend the fierce anti-Japanese sentiment and open up economic relations despite fairly clear economic benefits from doing so. In 1965, General Park Chung-hee embraced the economic benefits of exchange with Japan even as major political questions of reconciliation remained.

He “chose a different path for Korea, seeking the economic benefits derived from diplomatic relations with Japan despite widespread domestic opposition” to doing business with the recent colonizers.¹⁵

Since the 1965 normalization, even when political relations with Japan sour, economic relations continue to expand.¹⁶ Over the decades, trade has expanded greatly, along with travel and tourism. From the late 1990s, informal cultural exchange through Korean dramas, cross-national popularity of J-pop and K-pop, etc., have also been on the rise, particularly after the Kim Dae-jung government lifted the informal ban on Japanese cultural imports to Korea.¹⁷ There are many Japanese companies active in South Korea, notably Toyota and Mitsubishi in the auto sector, the convenience store 7-Eleven in retail, and Sony, Canon, and Nikon in electronics, not to mention companies in beauty and home products. Even companies with a history of using forced Korean labor during the colonization period, such as Mitsubishi, still do profitable business.¹⁸

Crucially, despite the perceived risks we note above, there is scant evidence that ordinary people link economic concerns with political attitudes or collective action. In a study comparing business risks for Japanese firms in China and Korea, we found that while Chinese who hold strongly anti-Japanese views extend their negative feelings not just to foreign policy or security issues but also to softer targets such as business and culture, Koreans do not. In Korea, the strongly anti-Japanese group is indistinguishable from the population at large when focusing on softer targets.¹⁹ Evidence suggests the same is true in Japan. Returning to BTS, the top-100 hits in Japan in the week before the controversy contained five BTS songs, with the top one reaching number 19. Then, the week after the controversy occurred, the BTS song “Fake Love” shot up to number one in the rankings.²⁰

Other polling data also supports the thesis that ordinary Koreans separate political issues with Japan from commerce. The Asan Institute in 2015 found that a clear plurality of Korean respondents would not alter their support for a politician who promoted closer economic ties with Japan.²¹ More recently, polling has found that almost 80% of Japanese respondents and 55% of Korean respondents believe that economic growth in the other country would be beneficial for them. Koreans, on the other hand, have a stronger perception that the Japanese economy is important for them than the Japanese do (40% versus 23%).²² While Abe is extremely unpopular in Korea (recently polling lower than Kim Jong-un), there is also broad recognition of Japan as an important economic partner and neighbor.²³



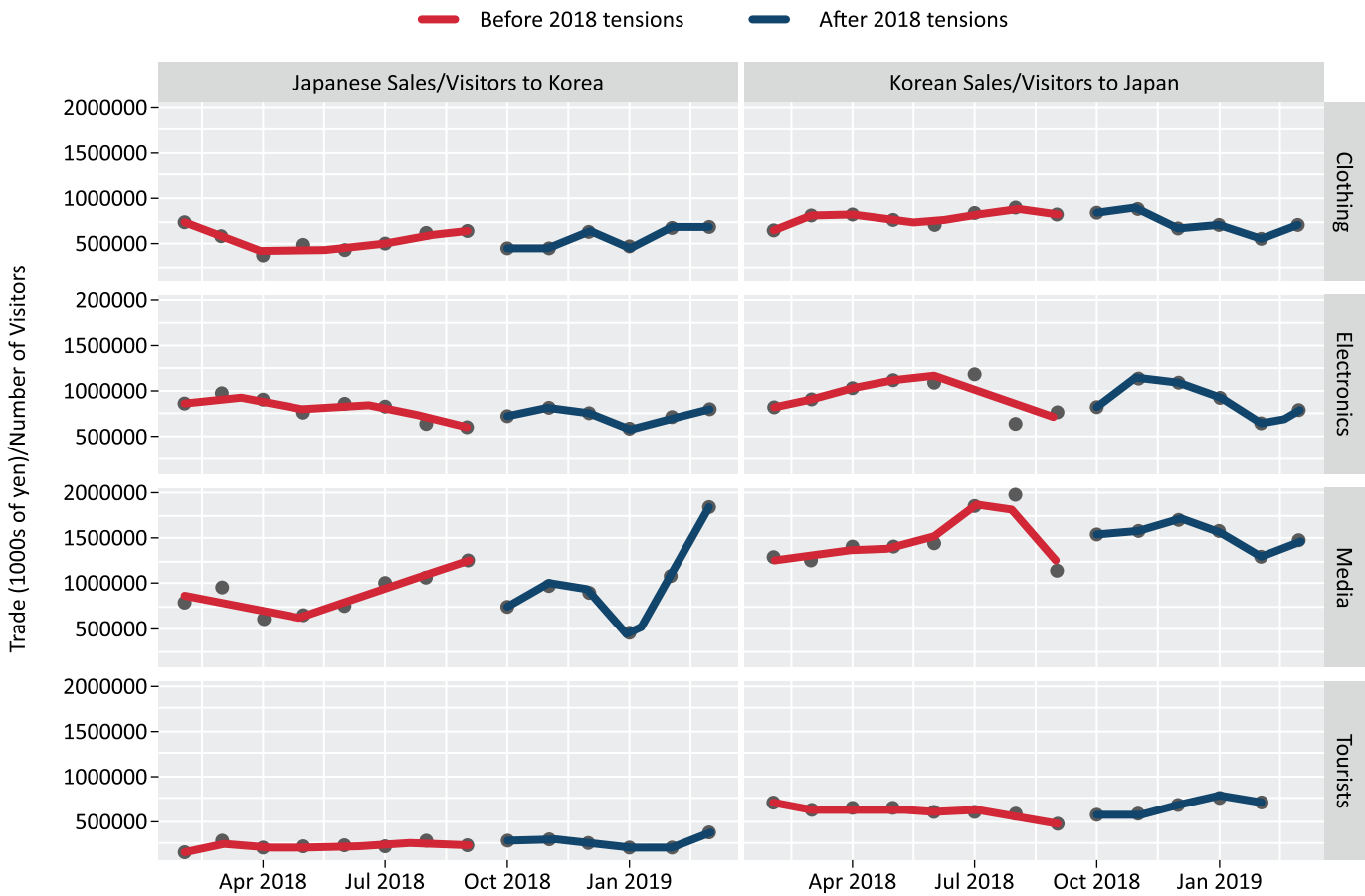
Trade and Tourism Remain Strong

Polling data and public opinion analysis are ultimately less important than concrete action, particularly for the profit-driven private sector. Overall, we find few indicators that politics disrupt the economic relationship, either in disputes in recent decades or in the current one. We examine monthly indicators in sectors that are likely to be affected by a crisis: those where firms are specifically identified or that are consumer facing and might thus be vulnerable to political boycotts or protests.

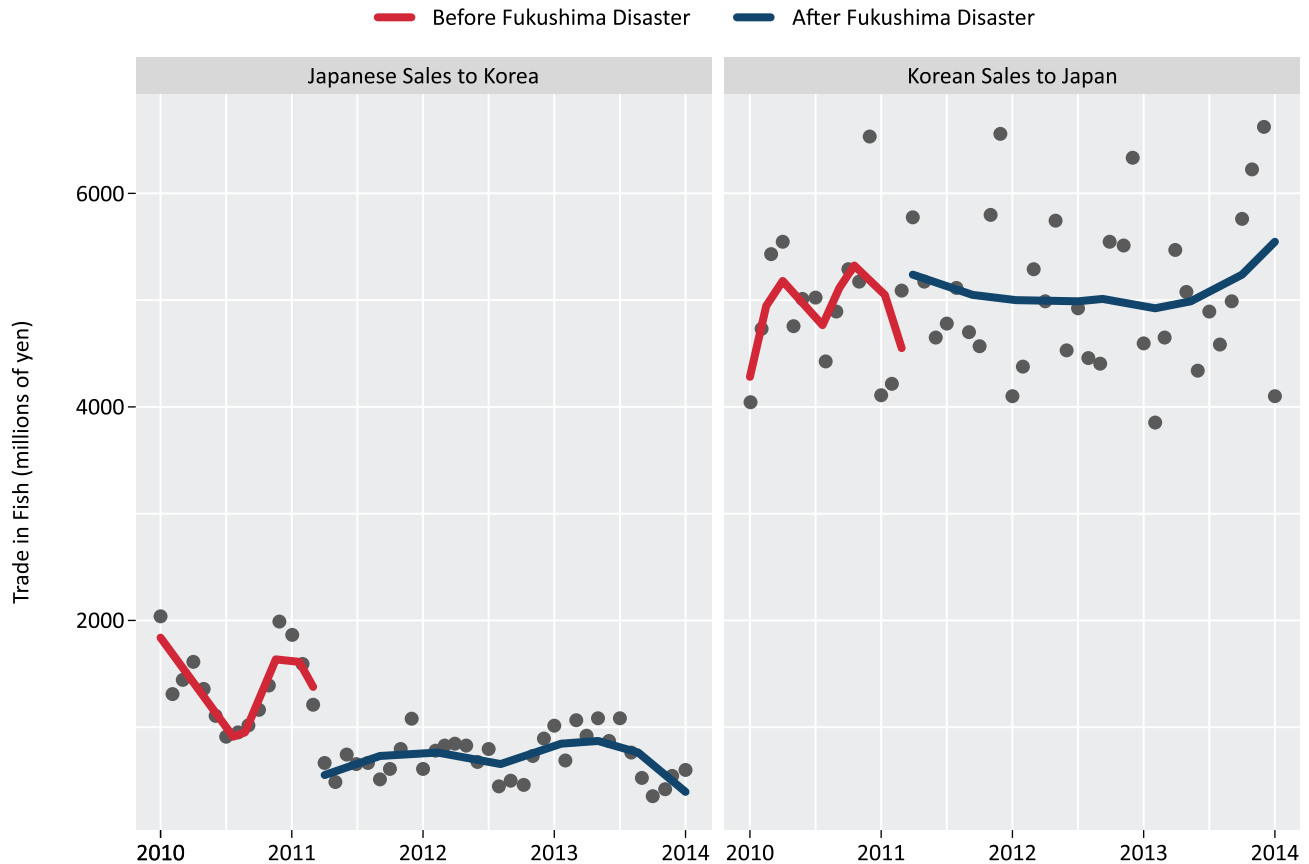
Members of the business are typically reluctant to mix business and politics. However, existing research shows that when political frictions do disrupt economic relationships, it tends to

be in very high-profile sectors with exposure to consumers.²⁴ Figure 1 shows monthly mutual trade and tourism with a smoothed trend line in three sectors which are highly visible and important in the two economies: fashion/clothing, consumer and home electronics, and media. In clothing and electronics, we find no evidence of any trade disruption. With media, the data suggest slight Korean punishment of Japanese media starting in fall 2018, but the numbers have recovered and even improved by February. Moreover, when looking at a longer time series, the numbers are well within typical range. Tourism shows a similar pattern, with Korean visitors to Japan reaching almost record highs by the beginning of 2019 when the dispute had substantially intensified. Japanese visits to Korea show no

Figure 1. Monthly Trade and Tourism between South Korea and Japan, Jan. 2018-March, 2019: Clothing, Electronics, Media, and Visitors



Data Source: Japanese Ministry of Finance
Japanese Tourism Board and Korea Tourism Organization


Figure 2. Monthly Trade in Fish Between South Korean and Japan, 2010-2014


Data Source: Japanese Ministry of Finance

unusual fluctuations. Historically, we also find no evidence that political tensions disrupt Korean-Japanese tourism, looking at disputes in the early 2000s and in 2013-2014.²⁵ This is in contrast to how Korea and Japan notably suffered tourism and trade losses during respective disputes with China.

There is one clear example of a crisis disrupting the economic relationship between Japan and Korea. Following the Fukushima disaster in March 2011, Koreans stopped purchasing Japanese fish due to fear of radiation contamination. Figure 2 shows monthly trade with a smoothed trend line in fish between Korea and Japan from 2010-2014. Following the disaster, there is a clean break in Japanese sales to Korea, which has not recovered three years later.²⁶ If political tensions were a real risk to high-profile sectors, the data would resemble the fish trade.

Notably, following political tensions, China's economic relationship with Japan in high-profile sectors resembles the post-Fukushima fish trade, as did South Korea's over the THAAD missile defense issue. History and territorial disputes can affect commerce in Northeast Asia; it is a real risk. Korea and Japan, however, have truly succeeded in maintaining business as usual in times of diplomatic downturn. The separation is done not only by profit-seeking companies, but also by ordinary Koreans and Japanese who do not ultimately use the power of the purse to pursue political ends. The risks of engagement are, counterintuitively, low.



Role of the Private Sector

Even as commerce and the bottom line are not overtly damaged, the private sector in both Korea and Japan could benefit from stabler and more predictable political relations. There are clear upsides to engagement. At a May 2018 Japan-China-Korea business summit, business leaders released a joint statement recognizing the benefits:

Japan, China, and Korea as key neighbors have built close reciprocal relations over many years of exchange in a wide range of spheres including politics, diplomacy, business, and culture. In business, especially, the three nations have become essential partners for one another through strong trade and investment ties and collaboration in fourth-country markets...Stable political and diplomatic relations are crucial as a sustainable platform for amicable trilateral cooperation in order to further develop strong, collaborative relationships in business and industry and exercise the leadership expected from the world.²⁷

President Moon Jae-in delivered a keynote speech emphasizing the importance of economic cooperation of Korea, China, and Japan in the midst of global uncertainty, saying:

The three countries should lead the order of global economy based on innovative ways to grow together. The role of...[business] is very important in the three countries' cooperation. I urge all Korean, Chinese, and Japanese businesspeople to work together.²⁸

Despite the recognized upsides of cooperation, political tensions remain a roadblock to economic negotiations beyond even typical differences in material interests. China, Japan, and South Korea successfully negotiated and signed a trilateral investment treaty in 2012, and have aimed at a trilateral free trade agreement since at least 2002.

In both countries, the institutional infrastructure is in place for the private sector to collectively act as an advocate for stronger Japan-Korea relations. Advocacy could come from individual companies that have a particular stake in economic integration, from peak organizations, or from non-profits with goals to deepen economic integration. In this section we evaluate current efforts to deepen the Korea-Japan relationship beyond the everyday of international business. We find some evidence of coordination at the elite level of peak organizations, joint efforts at the firm level, and some activities that resemble public diplomacy.

Peak Organizations

Korea has two major business organizations: the Federation of Korean Industries (FKI) and the Korea Chamber of Commerce and Industries (KCCI). These organizations already have offices and personnel in Japan which have the potential to develop more robust cooperative efforts. The Japanese business community includes two peak organizations as well as multiple groups that represent business interests to policy makers and provide support for Japanese companies abroad. The largest group, Keidanren, is regularly involved in private sector diplomacy, such as the Japan-China-Korea business summits, which occur as regularly as the political environment allows.²⁹

There are also two cross-border groups that explicitly promote economic cooperation: the Korea-Japan Economic Association (KJEA) and the Korea-Japan Industrial Technology Cooperation Foundation (KJF).³⁰ The KJEA was established in 1981 by the KCCI and FKI, as well as the Korea International Trade Association, Korea Federation of Small and Medium Business, and POSCO. KJEA is working on Korea and Japan's economic cooperation through annual Korea-Japan business summits. KJEA also emphasizes the importance of building economic cooperation channels in Japan to globalize small towns, increase investments, and expand global markets.³¹ The KJF was founded in 1992 to promote industrial coordination, and also works through firm-level consulting and programs to improve economic cooperation and investment between the two countries.³²

Despite calls for unity and stronger diplomatic relations, the language used by these potential advocacy groups does not always translate into a path towards easier diplomatic relations. Four groups—Keidanren, Keizai Doyukai, the Japanese Chamber of Commerce, and the Japan-Korea Economic Association—released a joint statement titled “Towards the Development of Japan-Korea Economic Relations,” following the forced labor reparations decision that is frustrating for those who wish for a path of historical reconciliation. They call on Korea to respect the 1965 normalization agreement that dismissed need for further reparations and emphasize the contributions Japanese companies have made to Korean economic development and stability. They state:

We strongly urge the Korean government to take appropriate measures to protect legitimate economic activities of Japanese companies so that the ruling will not damage the relationship between the two countries.³³



The statement's lack of remorse or acknowledgement of historical grievances follows the same pattern of statements from Japanese political elites. The KJEA, which has held a joint business summit annually for fifty years but is struggling to do so in 2019 due to the diplomatic situation, elaborated on the statement, writing:

[We hope] that the dialogue between the two governments will progress and that the Japan-Korea Business Council can be held in a favorable environment. We will work towards improving the relationship between the two countries...through economic, human resource and cultural exchanges.³⁴

As we discuss below, along with its counterpart in Korea, this group is promoting positive initial steps towards cooperation, particularly through human exchanges.

Company Efforts

From publicly available data, it is difficult to find much evidence that individual companies make efforts to improve Korea-Japan relations. Individual companies and recruitment agencies promote internship programs and jobs mainly for young adults. In April 2019, 34 Japanese companies such as Mitsubishi, Sumitomo, and Japan Airlines, that have offices in Korea, were actively recruiting interns.³⁵ Mitsubishi and Sumitomo are the very same companies that used forced labor and are criticized for not paying compensation to the victims after the court found them guilty of this offense. Despite the problems these companies have in Korea, there are still many young Koreans who want to find internships and jobs there.

There is certainly room for companies from both countries to make efforts to bolster economic ties while also meeting their own bottom-line. FKI has suggested that South Korea and Japan can cooperate more by providing employment opportunities from Japan and providing workers from South Korea, taking advantage of Japan's dearth and Korea's abundance of workers.³⁶ In addition to providing jobs, corporate social responsibility can be used to help demonstrate the goodwill and partnership of firms across borders, such as POSCO's environmental cleanup assistance after the Fukushima nuclear power plant disaster.³⁷

Beyond individual firms, business organizations are also working to promote economic cooperation, largely below the level of political elites. On issues of international trade, many

companies are working to develop economic relationships in Southeast Asia. For example, POSCO, which has a joint venture with Mitsubishi, focuses mostly on Vietnam, Indonesia, India, and a few countries in Africa. Japanese companies are also actively pursuing opportunities in Southeast Asia, particularly as the Chinese market becomes more expensive and politically volatile. One example of coordination comes from the KJF. They lead joint business tours to Southeast Asia for Korean and Japanese firms looking to cooperatively expand their business, which continued even when bilateral summits or meetings were paused due to politics.³⁸

Public Diplomacy

Beyond activities that fit under the traditional profit-seeking activities of the private sector, Korean and Japanese business organizations also participate in cultural and person-to-person exchanges. These activities resemble public diplomacy, but are conducted by the private sector rather than by the state. These types of activities can be beneficial to a bilateral relationship as they can transform individual attitudes on the ground. In addition to annual summits and meetings, the KJEA promotes person-to-person exchanges. They have held 25 Korea-Japan exchanges with high school students and 13 events called the Japan-Korea Students Future Forum, which bring young Koreans and Japanese together for mutual discussion of political, economic, and health issues.³⁹ The Japan-Korea Culture Exchange Foundation was founded in 1983, and has broad participation and funding from both the Japanese and Korean business communities. Japanese peak business associations are broadly represented, with the top honorary advisor position held in rotation by the head of Keidanren, the Japanese Chamber of Commerce, or Keizai Doyukai. The original chairperson on the Korean side was Koo Cha-kyung, honorary chairperson of LG Group, while the board during that period consisted of representatives from other large companies and Korean elites.⁴⁰ Chairman Koo served as president from 1984-2004 and still serves as honorary president. The current president, however, is not a businessperson, but Yi Hong-gu from the Seoul International Forum, and participation from the business community has declined. Members of the business community see value in deepening mutual cultural ties and appreciation, although the Korean side could do more to incorporate business participation.



Conclusion

There is much more space for Korean and Japanese businesses to promote more amiable relations. Research on the use of private sector public diplomacy for political risk management of Japanese firms in China has also found that building a strong positive cultural image abroad can protect firms from the fallout of political tensions. In that context, the Japanese business community learned that there were real business risks to having an overt political stance.⁴¹ Korean firms have also learned this hard lesson in the Chinese context. However, in the Korea-Japan context, the feared political risks rarely materialize into deleterious business outcomes.

Despite broadly perceived risks of political engagement in the Korea-Japan relationship, evidence indicates that the economic pragmatism of business leaders is reflected in consumer and commercial behavior. Rather than high-risk, low-reward, engagement from the business community could be low-risk, high-reward. Existing private sector activities to solve problems faced jointly by Koreans and Japanese, or cultural exchange, are

a very positive start. However, we also urge greater advocacy and commitment to improving the bilateral relationship from the business community.

Specifically, the Korean business community can emphasize publicly and to policymakers the benefits of cooperation with Japan. Korean policymakers can solicit the perspectives of business as they debate paths of reconciliation with Japan. The Japanese business community has perhaps the more difficult task. While continuing and expanding public diplomacy activities, they also need to take seriously wartime grievances, perhaps following the model of apology and reconciliation they have used with former American prisoners of war. In the medium- to long-term, Japanese companies have little to lose and much to gain by pursuing true reconciliation and deeper understanding with Korea. Economic relations alone are insufficient for the task of improving a difficult relationship; there is also a need for leadership. In South Korea-Japan relations, the business community should step in and provide that role.

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