

August 13, 2014

## South Korea: Background and U.S. Relations

### Overview<sup>1</sup>

Since late 2008, relations between the United States and South Korea (known officially as the Republic of Korea, or ROK) arguably have been at their most robust since the formation of the U.S.-ROK alliance in 1953. Under South Korean President Park Geun-hye, who was inaugurated in February 2013, Seoul and Washington have tightly coordinated their North Korea policies amidst Pyongyang's various provocations, charm offensives, and internal unrest. Over the past two years, Washington and Seoul have updated and expanded alliance cooperation. South Korea also took the first steps toward a possible entry into the U.S.-led Trans-Pacific Partnership (TPP) free trade agreement negotiations, which would build on the 2011 United States-Korea Free Trade Agreement (KORUS FTA). In 2013, the Obama and Park governments agreed to—and Congress in 2014 supported—a two-year extension of a civilian nuclear energy cooperation agreement, now set to expire in 2016.

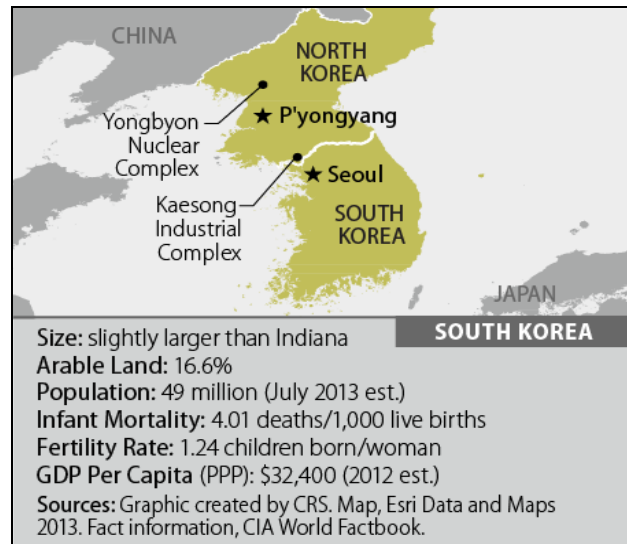
Despite these developments, Park has hinted at policy moves that could test bilateral ties, including possible cooperation with North Korea in some areas, a proposal for South Korea to reprocess spent nuclear fuel and enrich uranium, and resisting many types of bilateral cooperation with Japan unless Tokyo addresses differences over historical issues concerning the 1910-1945 period when Imperial Japan seized and governed the Korean Peninsula. South Korea also hesitates to take steps it perceives China could view as antagonistic, and mistrusts Japan's efforts to expand its military capabilities.

### U.S.-South Korea Security Relations

The United States - South Korea alliance is established under a 1953 Mutual Defense Treaty. Under the treaty, the United States is committed to help South Korea defend itself, particularly against any aggression from the North. South Korea is included under the U.S. "nuclear umbrella" (also known as "extended deterrence"), and the United States maintains about 28,500 troops there. South Korea offsets some of the costs of stationing U.S. armed forces in the country. Under a five-year Special Measures Agreement (SMA) signed in January 2014, Seoul will raise its contribution in 2014 and then increase its annual payments at the rate of inflation.

For the past decade, the United States and South Korea have been taking steps to transform and modernize the

<sup>1</sup> See also CRS reports on U.S.-South Korea relations (R41481), the United States-Korea Free Trade Agreement (RL34330), and U.S.-North Korea relations (R41259).



alliance, though there have been some delays in implementation. During President Obama's visit to Seoul in April 2014, the two states agreed to delay for the second time a 2007 agreement to transfer wartime operational control (Opcon) from a U.S. commander to a Korean commander, citing the North Korean threat and needed improvements to military interoperability. The two states also are reviewing the ongoing relocation of U.S. armed forces from bases near the de-militarized zone (DMZ) bordering North Korea to bases farther south.

### North Korea Policy Coordination

Since 2009, in the wake of North Korean provocations including a long-range ballistic missile test and the country's second nuclear test, Washington and Seoul have forged a joint approach toward North Korea. In essence, the approach—which many have called "strategic patience"—contains elements of both pressure and engagement. They include: keeping the door open to multilateral talks (called the Six-Party Talks) over North Korea's nuclear program but refusing to re-start them without North Korea's assurance, backed by "meaningful actions," that it will take "irreversible steps" to denuclearize; encouraging China to pressure North Korea to denuclearize; responding to Pyongyang's provocations by tightening sanctions against North Korean entities; and conducting a series of military exercises. President Park has pledged to retaliate militarily if North Korea attacks the South. In 2013, Seoul and Washington ironed out a new counter-provocation plan to adapt both to the new threats envisioned from North Korea and to South Korea's new willingness to retaliate.

Park has called for creating a "new era" on the Korean Peninsula by building trust between North and South

Korea. However, she has stated that a nuclear North Korea “can never be accepted” and that trust-building with Pyongyang will be impossible if North Korea cannot keep its international agreements. An issue for the Obama Administration and Congress is to what extent they will support—or not oppose—Park’s proposed inter-Korean initiatives.

## Nuclear Energy Cooperation Agreement

In April 2013, the United States and South Korea agreed to a two-year extension of their existing bilateral civil nuclear cooperation agreement, also known as a “123 agreement.” Both the House and Senate adopted the extension by unanimous consent (P.L. 113-81). It provides a temporary solution to any disruption in nuclear trade. The extension is set to expire in March 2016; its renewal will require congressional action.

Bilateral talks on a longer-term agreement continue. The two states have not yet resolved disagreements over how to treat uranium enrichment and spent fuel reprocessing technologies in a renewed accord. It is not clear whether the South Korean government will continue to press the United States to include a provision that would allow for South Korea to reprocess its spent nuclear fuel. The Atomic Energy Act requires U.S. permission before South Korea can reprocess U.S.-origin spent fuel, including spent fuel from South Korea’s U.S.-designed reactors. The United States’ nonproliferation policies discourage the building of new fuel-making plants in countries that do not already have such plants.

## U.S.-South Korea Economic Relations

South Korea is a major economic partner of the United States. In 2013, U.S.-South Korea trade was \$100 billion in goods and \$30 billion in services. South Korea is the sixth-largest U.S. trade partner, while the United States is South Korea’s second-largest trade partner, behind China. Major U.S. exports include semiconductors, aircraft, and agricultural products. Major imports include autos and electrical machinery (including cellular phones). In 2012, U.S. foreign direct investment (FDI) in South Korea was \$35 billion and South Korean FDI in the United States was \$25 billion.

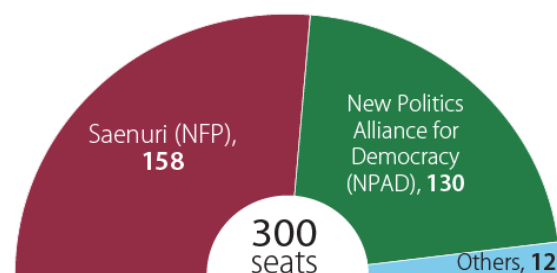
Both countries sought to deepen their economic relationship through the 2011 KORUS FTA, which eliminates barriers to trade and investment. Some companies have expressed concerns over the agreement’s implementation; how the two countries resolve those issues may impact South Korea’s potential participation in the Trans-Pacific Partnership (TPP) FTA talks. South Korea has expressed interest in joining the TPP, which potentially would build on the KORUS FTA, but it has not officially sought entry into the TPP negotiations, which currently involve 12 nations. While the United States welcomes South Korea’s eventual participation, U.S. officials have indicated they will place priority on concluding a TPP agreement among the current 12 states before agreeing to the entry of any new countries.

## South Korea’s Regional Relations

China’s influence in the region figures into virtually all aspects of South Korean foreign and economic policy. Perhaps most notably, North Korea’s growing economic and diplomatic dependence on China since the early 2000s has meant that South Korea increasingly must factor Beijing’s actions and intentions into its North Korea policy. Chinese President Xi Jinping visited Seoul for a summit with Park in early July 2014, the first time a Chinese president visited South Korea before meeting with the leader of North Korea. Although Xi and Park described bilateral ties as having reached an “unprecedented level of strategic understanding,” analysts do not expect that South Korea will prioritize relations with China at the expense of the U.S. alliance.

As of mid-2014, South Korea’s relations with Japan continue to deteriorate, primarily due to differences over how to treat the 1910-1945 period, when Imperial Japan seized and governed the Korean Peninsula. A poor relationship between Seoul and Tokyo jeopardizes several important U.S. interests, including trilateral cooperation over North Korea policy and the ability to respond effectively to China. Tense relations also complicate Japan’s plans to expand its military and diplomatic influence, goals the Obama Administration generally supports, and the creation of an integrated U.S.-Japan-South Korea ballistic missile defense system that the U.S. military supports. In March 2014, President Obama orchestrated the first official meeting between Park and Japanese Prime Minister Shinzo Abe on the sidelines of the Nuclear Security Summit at The Hague. South Korea’s relations with Japan also were a major topic of President Obama’s April 2014 visits to Seoul and Tokyo.

### Party Strength in South Korea’s National Assembly (as of July 2014)



**Notes:** President Park Geun-hye is a member of the Saenuri (New Frontier) Party. The last nationwide legislative elections were held in April 2012. The next elections are scheduled for April 2016. South Korea’s next presidential election is scheduled for December 2017. By law, South Korean presidents are limited to one five-year term.

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