

U.S.-South Korea Relations

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Summary

Overview

South Korea (known officially as the Republic of Korea, or ROK) is one of the United States' most important strategic and economic partners in Asia, and since 2009 relations between the two countries arguably have been at their most robust state in decades. Several factors drive congressional interest in South Korea-related issues. First, the United States and South Korea have been military allies since the early 1950s. The United States is committed to helping South Korea defend itself, particularly against any aggression from North Korea. Approximately 28,500 U.S. troops are based in the ROK and South Korea is included under the U.S. "nuclear umbrella." Second, Washington and Seoul cooperate in addressing the challenges posed by North Korea. Third, the two countries' economies are closely entwined and are joined by the Korea-U.S. Free Trade Agreement (KORUS FTA). South Korea is the United States' seventh-largest trading partner and the United States is South Korea's second-largest trading partner. South Korea has repeatedly expressed interest in and consulted with the United States on possibly joining the U.S.-led Trans-Pacific Partnership (TPP) free trade agreement, which has been signed, though not yet ratified by the current 12 participants.

Strategic Cooperation and the U.S.-ROK Alliance

Dealing with North Korea is the dominant strategic concern of the U.S.-South Korean relationship. Under South Korean President Park Geun-hye, Seoul and Washington have maintained tight coordination over North Korea policy, following a joint approach that contains elements of pressure and engagement. In response to Pyongyang's perceived intransigence and provocative behavior, Washington and Seoul have placed significant emphasis on the harder elements of their approach, particularly following North Korea's January 2016 nuclear weapon test (its fourth) and February 2016 satellite launch, which violated United Nations Security Council (UNSC) resolutions. Most notably, (1) the two countries successfully pushed to expand UNSC sanctions; (2) they announced that they would examine the deployment of a U.S. Theater High Altitude Area Defense (THAAD) missile defense system to South Korea, a step that the two allies had deferred for months and that China has protested loudly; and (3) Seoul shut down the Kaesong Industrial Complex, an 11-year-old industrial park located in North Korea just across the demilitarized zone where more than 120 South Korean manufacturers employed over 50,000 North Korean workers. President Park said the zone's suspension was "only the beginning" of South Korea's punitive actions. Notwithstanding the recent moves against North Korea, some critics say that the Obama Administration's policy has applied insufficient pressure on Pyongyang to change its behavior, while others argue that it has provided insufficient incentives.

Since 2009, the United States and South Korea have accelerated steps to reform the U.S.-ROK alliance. Washington and Seoul are relocating U.S. troops on the Korean Peninsula and boosting ROK defense capabilities. Provocations from North Korea have propelled more integrated bilateral planning for responding to possible contingencies, for instance by adopting policies to respond more swiftly and forcefully to attacks and by discussing improvements to the two countries' respective missile defense systems. In a related development, in 2014 the United States and South Korea agreed to delay for the second time a 2007 agreement to transfer wartime operational control (Opcon) from U.S. to ROK forces. South Korea pays roughly half of the non-personnel costs of stationing U.S. troops in South Korea.

On broad strategic matters in East Asia, while South Korean and U.S. perspectives overlap, there are areas of significant differences. For instance, South Korea often hesitates to take steps that antagonize China and has shown mistrust of Japan's efforts to expand its military capabilities.

North Korea's early 2016 nuclear weapon test and satellite launch, however, potentially have shifted the geopolitical dynamics in Northeast Asia in ways that could bring the United States and South Korea closer together on the best approaches to China and Japan.

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Major Developments Since October 2015

The Overall State of U.S.-South Korea Relations

Since 2009, 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. Cooperation on North Korea policy has been particularly close, and the two countries have adjusted the alliance in the face of a changing threat from Pyongyang, particularly following North Korea's January 2016 nuclear weapon test (its fourth) and February 2016 satellite launch, both of which violated United Nations Security Council (UNSC) resolutions.

Notwithstanding the overall positive state of the relationship, the United States and South Korea occasionally have disagreed on key issues, most prominently on how to handle South Korea-Japan relations and on how to respond to China's rise. Additionally, for much of her presidency, South Korean President Park Geun-hye (pronounced "pahk gun-hay") promoted a number of initiatives that potentially could have acted at cross-purposes with U.S. policies to increase pressure on Pyongyang. North Korea's nuclear weapons test and satellite launch in early 2016, however, appear to have eased differences between Seoul's and Washington's approaches to North Korea and to China. North Korea's actions, combined with a modest improvement in South Korea-Japan relations in 2015, may also have set the stage for the expanded strategic cooperation between Seoul and Tokyo that U.S. officials long have desired.

North Korea Policy Coordination

Dealing with North Korea is the dominant strategic element of the U.S.-South Korean relationship, and since 2009 the two allies in effect have pursued a joint approach toward Pyongyang. Following Pyongyang's early 2016 provocations, Washington and Seoul hardened their approach, taking a number of coordinated actions designed to rally international support for punishing North Korea and to bolster South Korea's defenses. The two countries pushed for the United Nations Security Council (UNSC) to impose more stringent sanctions on the DPRK regime, a campaign that resulted in the UNSC's unanimous adoption on March 2 of Resolution 2270.¹ For weeks, China reportedly had resisted efforts to make the new resolution significantly tougher on North Korea. However, according to some analysts, China appeared to drop many of its reservations following the United States and South Korea's announcement in early February that they would examine the deployment of a U.S. Theater High Altitude Area Defense (THAAD) ballistic missile defense (BMD) system to South Korea, a step that the two allies had deferred for months and that China has protested loudly. U.S.-South Korea-Japan coordination over approaches to North Korea also increased early in 2016, a development that also may have influenced China's behavior. In the weeks following the passage of UNSC Resolution 2270, the

¹ For the text of Resolution 2270, go to http://www.un.org/ga/search/view_doc.asp?symbol=s/res/2270%282016%29.

United States and South Korea have focused attention on the resolution's implementation, particularly by China, which since 2010 is believed to have accounted for more than two-thirds of North Korea's total trade.

South Korea at a Glance

Head of State: President Park Geun-hye (elected December 2012; limited to one five-year term)

Ruling Party: *Saenuri* (New Frontier) Party (NFP)

Largest Opposition Party: Minjoo (Democratic) Party

Size: Slightly larger than Indiana

Arable Land: 15.6%

Population: 49 million (North Korea = 24.9 million)

Population Growth Rate: 0.14% (U.S. = 0.78%)

Portion of Population Younger than 25: 27% (U.S. = 33%)

Fertility Rate: 1.25 children born per woman (U.S. = 1.87)

Life Expectancy: 80 years (U.S. = 79.7 yrs.; North Korea = 70.1 yrs.)

Infant Mortality: 3.9 deaths/1,000 live births (U.S. = 5.9; North Korea = 23.7)

GDP (Purchasing Power Parity):² \$1.85 trillion; world's 14th-largest economy (U.S. = \$17.97 trillion; North Korea = \$40 billion (2013 est.))

GDP Per Capita (Purchasing Power Parity): \$36,700 (U.S. = \$56,300; North Korea = \$1,800 (2013 est.))

Source: CIA, *The World Factbook*, March 10, 2016.

In joint military actions, the United States and South Korea air forces flew in joint formations, including with a Guam-based B-52 bomber and later with four F-22 fighter aircraft, over South Korea. In March 2016, the two militaries began their annual "Foal Eagle" and "Key Resolve" exercises, reportedly with the largest-ever number of U.S. forces participating.³ Additionally, in the aftermath of North Korea's actions, Congress passed and on February 18 President Obama signed H.R. 757/P.L. 114-122, the North Korea Sanctions Enforcement Act of 2016, which expands unilateral U.S. sanctions against Pyongyang and other entities working with the North Korean government.

Inter-Korean Relations: Kaesong Complex Is Shut Down

North Korea's 2016 nuclear weapon test and satellite launch have prompted President Park to alter her previous North Korea policy, which contained a mixture of pressure and engagement tactics, in favor of a significantly tougher approach. In the most tangible move, Seoul shut down the Kaesong Industrial Complex, an 11-year-old industrial park located just across the demilitarized zone in North Korea where more than 120 South Korean manufacturers employed over 50,000 North Korean workers. The complex, which was the last physical remnant of the inter-Korean cooperation that sprouted during the years of Seoul's "sunshine policy" in 2000-2008, was established in part to be an example for market-oriented reforms in North Korea. It also, however, provided the North Korean government with access to a stream of hard currency, estimated to be worth over \$500 million in total since the complex opened in 2004. In response to Seoul's move, Pyongyang threatened future "consequences" and announced that it would

² The purchasing power parity method of calculating GDP accounts for how much people can buy for their money in a given country. Instead of simply measuring total output, the PPP GDP method attempts to gauge how much a person would have to pay in the local currency for a set basket of goods. That amount is then converted to the equivalent value in U.S. dollars, so that analysts can make cross-country standard of living comparisons.

³ "S. Korea, U.S. Begin Largest-Ever Anti-North Military Drills," *Yonhap News*, March 7, 2016.

confiscate all assets in the park, sever two inter-Korean military hotlines, and restore military control over the KIC zone.

In a rare speech before the National Assembly, President Park said the KIC's suspension was "only the beginning" of South Korea's punitive actions, which will be designed to "create an environment in which the North keenly realizes that nuclear development does not offer the path to survival but will merely hasten the regime's collapse, and therefore has no choice but to change of its own volition."⁴ Subsequently, South Korea announced new unilateral sanctions on North Korea, including a refusal to allow ships that have been to North Korea within the previous six months to dock in South Korea. Park's moves likely will initiate a period of extremely high tension between North and South Korea, and Park has warned of potential attacks by the North.

Relations between the two Koreas have been poor since 2010, when two military attacks by North Korea resulted in South Korea's halting nearly all regular inter-Korean interchange.⁵ From 2011 to 2015, although inter-Korean relations were tense, they remained stable, and President Park spent the first three years of her presidency proposing a number of inter-Korean projects, exchanges, and dialogues in order to build trust between North and South Korea. However, she also stated that a nuclear North Korea "can never be accepted." North Korea for the most part resisted Park's outreach, and Park appears to have *effectively* abandoned many elements of her policy in the face of the North's provocations. The Obama Administration publicly expressed support for President Park's so-called "trustpolitik" policy, and since 2009 generally has appeared to allow Seoul to take the lead in determining how to best deal with North Korea.

In another sign of hardening attitudes toward North Korea, by a 220-0 vote, South Korea's National Assembly in March 2016 passed a North Korean human rights bill. The bill was first introduced in 2005, the year after Congress passed and President George W. Bush signed the North Korean Human Rights Act (H.R. 4011/P.L. 108-333).⁶ The South Korean bill generally was championed by South Korean conservative groups and opposed by progressives. Among other steps, the bill requires the government to develop a human rights promotion plan and establishes a foundation that is charged with documenting North Korean human rights abuses.⁷ (For more on cooperation over North Korea and inter-Korean relations, see "North Korea in U.S.-ROK Relations" below.)

The U.S.-South Korea Alliance

In addition to the U.S.-ROK military exercises mentioned above, North Korea's actions in early 2016 appear to have pushed forward U.S. and South Korean discussions on deploying the Theater High Altitude Area Defense (THAAD) ballistic missile defense (BMD) system. The United States and South Korea announced in February 2016 that they would examine the deployment of a U.S. THAAD system to South Korea, a step that the two allies had deferred for months and that China

⁴ "Address by President Park Geun-hye to the National Assembly on State Affairs," South Korean Office of the President, February 16, 2016.

⁵ In March 2010, the ROK Navy corvette *Cheonan* suffered an explosion in its hull and sank; all 46 sailors on board died. A multinational investigation led by South Korea determined that a North Korean torpedo sank the vessel. In November 2010, North Korean artillery shelled the South Korean island of Yeonpyeong, killing two South Korean marines and two civilians and wounding dozens.

⁶ In 2008, Congress reauthorized the North Korean Human Rights Act through 2012 under P.L. 110-346. In August 2012, Congress approved the extension of the act (P.L. 112-172) through 2017.

⁷ Kent Boydston, "The ROK North Korea Human Rights Act," North Korea: Witness to Transformation blog, March 14, 2016.

and Russia have publicly criticized. Seoul has agreed to make its nascent BMD capabilities interoperable with U.S. BMD systems but has resisted full integration into the U.S.-led regional BMD network, in which Japan plays a large role. Poor relations between Japan and South Korea have prevented more effective trilateral defense coordination, to the frustration of U.S. defense officials. The debate in South Korea over BMD upgrades also is closely tied to the issue of foreign equipment purchases versus indigenous systems development, and to China's strong resistance to U.S.-ROK alliance upgrades, particularly those that extend beyond the Korean Peninsula.⁸ According to a variety of reports, Beijing appeared to become more receptive to adopting harsh sanctions at the UNSC after South Korea's announcement that it would enter into discussions about deploying THAAD. (For more, see "Security Relations and the U.S.-ROK Alliance" below.)

In the wake of North Korea's recent nuclear weapon test and satellite launch, South Korea has re-engaged in a debate about developing its own nuclear weapons capability, notwithstanding Seoul's reliance on the U.S. "nuclear umbrella."⁹ Polling by the Asan Institute after North Korea's third nuclear test (in 2013) indicated growing support for developing an indigenous nuclear capability amid doubt that the United States would use its nuclear weapons to protect South Korea.¹⁰ Although U.S. policymakers have reiterated their "ironclad commitment" to defend South Korea and have publicized B-52 and B-2 long-range bomber flights over the Korean Peninsula, some South Koreans have pointed to the failure of the United States and others to stanch Pyongyang's growing nuclear capability as justification for Seoul to pursue its own nuclear arsenal. Presidential candidate Donald Trump in spring 2016 stated that he was open to South Korea's developing its own nuclear arsenal to counter the North Korean nuclear threat.¹¹ Analysts point to the potentially negative consequences for South Korea if it were to develop its own nuclear weapons, including significant costs; reduced international standing in the campaign to denuclearize North Korea; the possible imposition of economic sanctions that would be triggered by leaving the global non-proliferation regime; and potentially encouraging Japan to develop nuclear weapons capability. For the United States, encouraging South Korea to develop nuclear weapons could mean diminished U.S. influence in Asia, the unraveling of the U.S. alliance system, and the possibility of creating a destabilizing nuclear arms race in Asia.¹² President Park has rejected the notion of South Korea developing nuclear weapons.¹³

⁸ For more information and analysis on BMD issues, including THAAD, see CRS Report R43116, *Ballistic Missile Defense in the Asia-Pacific Region: Cooperation and Opposition*, by (name redacted), (name redacted), and (name redacted).

⁹ Anna Fifield, "As North Korea Flexes Its Muscles, Some in South Want Nukes, Too," *Washington Post*, March 20, 2016. The Gerald Ford Administration discovered President Park Chung Hee's clandestine nuclear weapons program in the 1970s, and the United States successfully pressured South Korea to shut it down. For more on this episode, see Donald Oberdorfer, *The Two Koreas*, Basic Books, pp. 69-73.

¹⁰ "The Fallout: South Korean Public Opinion Following North Korea's Third Nuclear Test," *Asan Institute for Policy Studies Issue Briefs*, February 24, 2013.

¹¹ "Transcript: Donald Trump Expounds on His Foreign Policy Views," *New York Times*, March 26, 2016.

¹² See, for example, Robert Manning, "Trump's 'Sopranos' Worldview Would Undo Asian Alliances," *New Atlanticist* blog post, March 29, 2016; and Troy Stangarone, "Going Nuclear Wouldn't Be Easy for South Korea," *The National Interest*, February 29, 2016.

¹³ During a January 2016 news conference, President Park said, "... I believe that there should not be a nuclear [weapon] on the Korean Peninsula. I completely understand an assertion that we, too, should possess a tactical nuclear [weapon].... However, that would be the breaching of promises with the international community because we have so far consistently insisted upon the promises with the international community. Meanwhile, I do not believe that there must be a nuclear [weapon] on this side of the Korean Peninsula, because we are provided with the US nuclear umbrella under the ROK-US mutual defense treaty and because the ROK and the United States have been jointly (continued...)

An additional concern for some U.S. officials and analysts is the possibility that a small-scale North Korean provocation against South Korea is more likely to escalate than it was previously, due in part to South Korea's stated intention to respond more forcefully to an attack. U.S. defense officials insist that the close day-to-day coordination in the alliance ensures that U.S.-ROK communication would be strong in the event of a new contingency. (For more, see "Deterrence Issues" below.)

March 2016 U.S.-South Korea-Japan Summit

President Park attended the March 31-April 1 Nuclear Security Summit in Washington, DC. On the sidelines of the multilateral event, Park held bilateral meetings with President Obama, Japanese Prime Minister Shinzo Abe, and Chinese President Xi Jinping, among others. She also joined a trilateral meeting with President Obama and Prime Minister Abe, their first trilateral summit since 2014. The three leaders agreed to strengthen trilateral cooperation on North Korea policy at all levels of government, focusing on three goals: (1) ensuring the denuclearization of the Korean Peninsula; (2) restoring "a sense of stability and peace" to the region; and (3) shining a spotlight on human rights conditions in North Korea. The three also discussed joint cooperation in other fields, including terrorism, the Middle East, climate change, and the Obama Administration's "moonshot" cancer research initiative.¹⁴

The Obama Administration has invested considerable effort in managing relations between Seoul and Tokyo, and in recent years Members have introduced and Congress has passed a number of bills and resolutions that include language encouraging greater trilateral cooperation.¹⁵ 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. The ongoing opportunity costs to the United States have led some policy analysts to call for the United States to become more directly involved in trying to improve relations between South Korea and Japan.¹⁶ Provocative actions by North Korea often are followed by bursts of U.S.-Japan-South Korea cooperation, and in early 2016 the three countries appeared to be closely coordinating their responses to North Korea's early 2016 nuclear test and satellite launch. Speaking in Seoul in April, Deputy Secretary of State Antony Blinken reportedly said that the three countries were looking to "deepen" information-sharing. Some media outlets have speculated, and the South Korean government has denied, that South Korea and Japan are revisiting a General Security of Military Information Agreement (GSOMIA).¹⁷ The two countries first negotiated this defense information-sharing pact in 2012, only to have Seoul withdraw from

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responding to this in line with the tailored ROK-US deterrent strategy since October 2013." "ROK TV: President Park Discusses Measures for DPRK Nuclear Program in 13 January News Conference," Seoul KBS 1 TV in Korean January 13, 2016, translated by the Open Source Center, KPR2016011309975241.

¹⁴ The White House, "Remarks by President Obama, President Park Geun-Hye of the Republic of Korea, and Prime Minister Shinzo Abe of Japan After Trilateral Meeting," Walter E. Washington Convention Center, Washington, DC, March 31, 2016.

¹⁵ See, for instance, H.Res. 634, "Recognizing the importance of the United States-Republic of Korea-Japan trilateral relationship," which was introduced on March 2, 2016, and referred to the House Committee on Foreign Affairs.

¹⁶ See, for instance, Brad Glosserman and Scott Snyder, *The Japan-South Korea Identity Clash East Asian Security and the United States* (New York: Columbia University Press), May 2015.

¹⁷ "S. Korea, U.S., Japan Look to Increase Military Intelligence Sharing: Top U.S. Diplomat," *Yonhap News Agency*, April 20, 2016.

the agreement at the last minute due to domestic opposition. (For more, see the “South Korea’s Regional Relations” section below.)

South Korea-Japan Relations: A Breakthrough?

South Korea’s relations with Japan have been strained since 2012 but have improved steadily, albeit delicately, since early 2015. This rapprochement is due in large measure to Prime Minister Abe’s avoidance of flagrantly inflammatory actions or statements on historical issues, the strength of the U.S.-Japan relationship, and Park’s decision to relax the firm linkage between the Japanese government’s treatment of historical issues and Seoul’s willingness to participate in most forms of high-level bilateral activities.¹⁸ In November 2015, Park and Abe held their first bilateral summit meeting, in Seoul.

The following month, the two sides’ Foreign Ministers announced an agreement over one of their most contentious bilateral issues: how Japan should address South Korean concerns regarding “comfort women” who were forced to provide sexual services to Japanese soldiers during the 1930s and 1940s, when Korea was under Japanese rule.¹⁹ The agreement included a new apology from Abe and the provision of 1 billion yen (about \$8.3 million) from the Japanese government to a new Korean foundation that supports surviving victims.²⁰ The two Foreign Ministers agreed that this long-standing bilateral rift would be “finally and irreversibly resolved” pending the Japanese government’s implementation of the agreement.²¹ Additionally, the Japanese Foreign Minister stated that the Imperial Japanese military authorities were involved in the comfort women’s situation, and that the current Japanese government is “painfully aware of responsibilities from this perspective.”²²

U.S. officials hailed the December 2015 ROK-Japan agreement as a breakthrough, and observers report that U.S. officials played a role in encouraging the agreement.²³ Strong criticism of the agreement in South Korea, however, underscores the fragility of the bilateral relationship, which continues to be strained by mutual distrust between both the two countries’ governments and their peoples.

Three key issues to watch in the months ahead are whether (1) Japanese leaders make statements or engage in actions that appear to glorify or deny Imperial Japan’s actions, and whether South

¹⁸ Alastair Gale, “South Korea’s Park Chides Abe but Seeks Stable Japan Ties,” *Wall Street Journal*, May 4, 2015.

¹⁹ No text of the agreement was released, perhaps indicating the delicate nature of the issue. Instead, the agreement was announced in a joint public appearance in Seoul by South Korean Foreign Minister Yun Byung-se and Japanese Foreign Minister Fumio Kishida. For the South Korean Foreign Ministry’s translation of the joint appearance, see http://www.mofa.go.kr/ENG/image/common/title/res/Remarks%20at%20the%20Joint%20Press%20Availability_1.pdf. For the Japanese Foreign Ministry’s translation, see http://www.mofa.go.jp/a_o/na/kr/page4e_000364.html.

²⁰ In contrast to past apologies from Japanese Prime Ministers that were made in their personal capacities, Kishida stated that Abe’s apology was issued in his capacity “as Prime Minister of Japan.”

²¹ South Korean and Japanese Foreign Ministries’ translations of the December 28, 2015 joint announcement.

²² The full quote from the Japanese translation is “The issue of comfort women, with an involvement of the Japanese military authorities at that time, was a grave affront to the honor and dignity of large numbers of women, and the Government of Japan is painfully aware of responsibilities from this perspective.” The Korean translation reads “The issue of ‘comfort women’ was a matter which, with the involvement of the military authorities of the day, severely injured the honor and dignity of many women. In this regard, the Government of Japan painfully acknowledges its responsibility.” Kishida’s statement appears significant because some Japanese conservatives have said that the Imperial Japanese military did not directly recruit the comfort women and have used this argument to downplay or deny the military’s role in administering the comfort women system.

²³ Daniel Sneider, “Behind the Comfort Women Agreement,” *Toyo Keizai Online*, January 10, 2016.

Korean leaders call attention to such statements or actions; (2) South Korea successfully establishes the new comfort women foundation and Japan provides the money it has pledged; and (3) Seoul satisfies Tokyo that it is following through on its December 2015 pledge to “make efforts to appropriately address” Japan’s objections to a comfort woman statue that stands in front of the Japanese Embassy in Seoul.²⁴ According to a variety of media reports, Japanese leaders hope and perhaps expect that the statue will be moved to a different location.

South Korea-China Relations Show Strains

Beyond their impact on inter-Korean relations, North Korea’s 2016 nuclear test and satellite launch may have set in motion a shift in Northeast Asia’s geopolitical dynamics. Park spent her first three years in office cultivating good relations with China. For instance, she held six summit meetings with Chinese President Xi Jinping before her first with Prime Minister Abe, in November 2015. Park held bilateral meetings with both leaders on the sidelines of the March 31-April 1 Nuclear Security Summit in Washington, DC.

In the weeks following North Korea’s 2016 nuclear weapon test, however, South Korea’s ties with China have frayed, and domestic critics have charged that Park’s outreach to China has failed its first major test. Whereas Park spoke with Obama and Abe within hours after North Korea’s January 6 test, according to reports, her first phone conversation with Xi appears not to have occurred until February 5, despite her requests to speak.²⁵ In the days after the nuclear test, China reportedly declined to respond to South Korean requests to use the new ROK-China military hotline that was created in late December 2015.²⁶ In her public remarks since January 6, Park has emphasized trilateral South Korea-U.S.-Japan cooperation more than South Korea-China cooperation and has called on China to do more.²⁷ South Korea’s decision to discuss the possibility of deploying THAAD, which has angered Chinese officials, perhaps was made partly in order to convince China to place more pressure on North Korea, according to analysts. China’s public opposition to deploying the THAAD system, in turn, has angered many South Korean officials.

In fall 2015, the South Korean Defense Minister and Foreign Minister made the first public comments by Cabinet officials that were seen to be critical of China’s actions in the South China Sea. South Korean government officials generally appear reluctant to raise objections in public about Chinese behavior. U.S. officials, including President Obama, have called on South Korea to be more vocal about China’s series of assertive actions in the South China Sea.²⁸ (For more, see the “South Korea’s Regional Relations” section below.)

²⁴ According to the Japanese Foreign Ministry’s translation, Yun said that the South Korean government would “strive to solve” the issue.

²⁵ Lee Seong-hyon, “Why Xi Jinping didn’t answer Park’s call?” *Korea Times*, February 5, 2016. “Chinese, South Korean Presidents Talk Relations on Phone,” *Xinhua*, February 6, 2016.

²⁶ Elizabeth Shim, “North Korea Provocation Puts China, South Korea Ties to the Test,” UPI, January 8, 2016.

²⁷ For instance, in a press conference the week after North Korea’s January 2016 nuclear test, Park said “I expect China to play a more active role than it does now....” “ROK TV: President Park Discusses Measures for DPRK Nuclear Program in 13 January News Conference.” Seoul KBS 1 TV in Korean, January 13, 2016. Translation provided by the Open Source Center, KPR2016011309975241. In her February 16 speech to the National Assembly, Park said “In the process [of using tougher measures to pressure North Korea to denuclearize], solidarity with our ally the United States, as well as trilateral cooperation with the United States and Japan, will be enhanced. We will also continue to attach importance to working together with China and Russia.”

²⁸ For more on maritime disputes in the South China Sea, see CRS Report R44072, *Chinese Land Reclamation in the South China Sea: Implications and Policy Options*, by (name redacted) et al. CRS Report R42930, *Maritime Territorial* (continued...)

South Korea and the TPP²⁹

South Korea has expressed increasing interest in joining the 12-country Trans-Pacific Partnership (TPP) Free Trade Agreement, which was signed on February 4, 2016.³⁰ Presumably, South Korea would not be able to join the TPP until after the agreement is ratified by the current parties.³¹ The Obama Administration has welcomed South Korea's interest. Nonetheless, concerns from the U.S. business community over South Korea's implementation of certain aspects of the KORUS FTA—in effect since March 15, 2012—could be sticking points in South Korea's potential bid to join the TPP. The chairman of the Senate Finance Committee, Senator Orrin Hatch, recently raised these issues in a letter to the South Korean Ambassador, highlighting that “adherence to existing international trade and investment agreements” is a key factor in U.S. consideration of new trade negotiations.³² The perceived economic impact of KORUS also may be a focus of U.S. debate over South Korea's potential participation in TPP. While some herald KORUS as an economic success, citing increased exports of some U.S. products, including autos and services,³³ other U.S. stakeholders have raised concerns over the increased U.S. trade deficit with South Korea since KORUS went into effect.³⁴ (For more, see the “Economic Relations” section below.)

Park Geun-hye's Party Loses Control of Legislature

In a development that stunned most political observers, in national legislative elections on April 13, 2016, President Park's conservative Saenuri Party (New Frontier Party, NFP) not only lost its majority in South Korea's 300-seat National Assembly but also its status as South Korea's largest party. The progressive Minjoo (Democratic) Party of Korea won 123 seats, to the NFP's 122.³⁵ The People's Party—which was formed in early 2016 among former Minjoo Party members led by entrepreneur and onetime presidential candidate Ahn Cheol-soo—won 38 seats, potentially placing it in a position to play a decisive role in the unicameral National Assembly. (See **Figure 1**.)

Domestic economic issues appeared to have been high in voters' minds, perhaps fueled by stagnating growth rates and concerns about increasing income inequality, as well as rising

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Disputes in East Asia: Issues for Congress, by (name redacted), (name redacted), and (name redacted) and CRS Report R42784, *Maritime Territorial and Exclusive Economic Zone (EEZ) Disputes Involving China: Issues for Congress*, by (name redacted) .

²⁹ For more on the proposed TPP, see CRS Report R42694, *The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress*, coordinated by (name redacted) .

³⁰ The TPP negotiating parties are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam.

³¹ In order to become effective, the agreement must be ratified in all 12 countries, following requisite domestic legal procedures. In the United States this would require implementing legislation. Congressional leaders in both the House and Senate have suggested it is unlikely that TPP legislation will be considered before the November elections. “TPP Ratification Still a Rocky Road in Japan, US,” *Nikkei Asian Review*, March 9, 2016.

³² Letter from Honorable Orrin G. Hatch, Chairman U.S. Senate Committee on Finance, to Honorable Ahn Ho-Young, Ambassador to the United States of the Republic of Korea, March 2, 2016.

³³ James W. Fatheree, *The U.S.-Korea Free Trade Agreement at Three*, U.S. Chamber of Commerce, March 13, 2015, <https://www.uschamber.com/above-the-fold/the-us-korea-free-trade-agreement-three>.

³⁴ Robert E. Scott, *U.S.-Korea Trade Deal Resulted in Growing Trade Deficits and More than 75,000 Lost Jobs*, Economic Policy Institute, March 30, 2015, <http://www.epi.org/blog/u-s-korea-trade-deal-resulted-in-growing-trade-deficits-and-more-than-75000-lost-u-s-jobs/>.

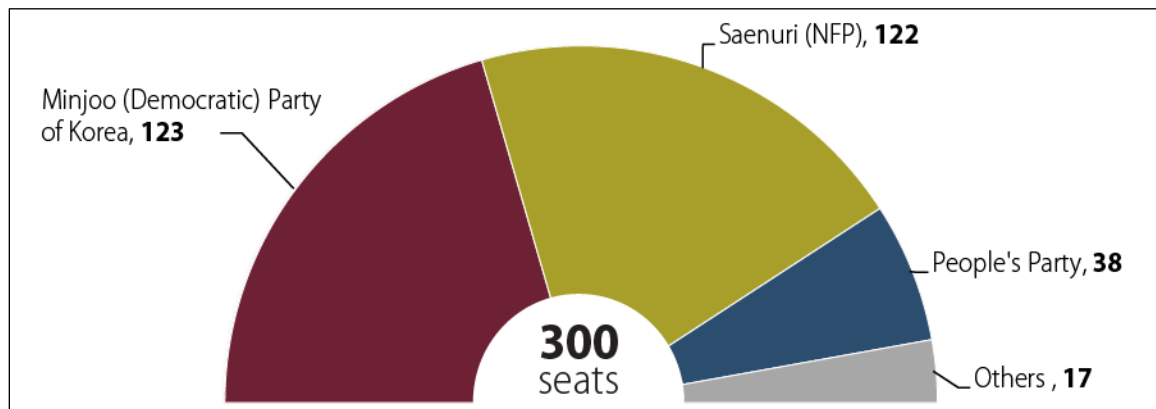
³⁵ Prior to the election, the Saenuri Party held 157 seats. The Minjoo Party held 109.

unemployment and underemployment of recent college graduates. Opinion polls, political observers, and many South Korean politicians also attributed the election results to Park's "arrogant" leadership style, in-fighting in the NFP, Park's alleged mismanagement of domestic crises, and her inability to push her domestic economic agenda through the National Assembly. In the days following the election, Park's public approval ratings fell to roughly 30%, near the lowest levels of her presidency.

It is unclear what the victory of South Korea's progressive parties will mean for South Korean policy. The president and the central bureaucracy are the dominant forces in the South Korean polity, particularly over foreign policy, but the Assembly can influence the political atmosphere surrounding the president's policies and personnel appointments. Its stance also can be decisive on many domestic issues. The absence of any majority party seems likely to continue the legislative gridlock that has stalled most of Park's domestic initiatives in the National Assembly's 2012-2016 term, a period when Park's NFP controlled the legislature. The Minjoo Party and/or People's Party reportedly advocate positions that could pose challenges for the Obama Administration's Korea policy, such as adopting a more conciliatory approach to North Korea (including re-opening the KIC), criticizing the 2015 South Korea-Japan "comfort women" agreement, and opposing deployment of a THAAD system in South Korea. The elections weakened most of the Saenuri Party's leading contenders for the December 2017 presidential election (in which President Park cannot run due to term limits), while simultaneously boosting the Minjoo Party and People's Party's prospects.

Figure 1. Results of South Korea's April 2016 National Assembly Elections

As of April 22, 2016



Source: Asan Korea Perspective, vol. 1, no. 8, April 11-22, 2016.

Notes: National Assembly elections are held every four years. The April 2016 elections were for representatives to participate in the National Assembly's next session, which is scheduled to begin in June 2016. President Park Geun-hye is from the Saenuri (New Frontier) Party. South Korea's next presidential election is scheduled for December 2017. By law, South Korean presidents are limited to one five-year term.

Background on U.S.-South Korea Relations

Overview

While the U.S.-South Korea relationship is highly complex and multifaceted, five factors arguably drive the scope and state of relations between the two allies, as well as congressional interest in U.S.-South Korea relations:

- the challenges posed by North Korea, particularly its weapons of mass destruction programs and perceptions in Washington and Seoul of whether the Kim Jong-un regime poses a threat, through its belligerence and/or the risk of its collapse;
- China's rising influence in Northeast Asia, which has become an increasingly integral consideration in many aspects of U.S.-South Korea strategic and economic policymaking;
- South Korea's transformation into one of the world's leading economies—with a strong export-oriented industrial base—which has led to an expansion in the number and types of trade disputes and helped drive the two countries' decision to sign the South Korea-U.S. Free Trade Agreement (KORUS FTA), which Congress approved in 2011;
- South Korea's continued democratization, which has raised the importance of public opinion in Seoul's foreign policy; and
- the growing desire of South Korean leaders to use the country's middle power status to play a larger regional and, more recently, global role.

Additionally, while people-to-people ties generally do not directly affect matters of “high” politics in bilateral relations, the presence of over 1.8 million Korean Americans and the hundreds of thousands of trips taken annually between the two nations has helped cement the two countries together. South Korean President Park Geun-hye and her predecessor, Lee Myung-bak, spoke before joint meetings of Congress, in May 2013 and October 2011, respectively. Six South Korean presidents have addressed joint meetings of Congress since the ROK's founding in 1948.³⁶

³⁶ The other addresses to joint meetings of Congress by South Korean presidents have been as follows: Rhee Syngman, July 28, 1954; Roh Tae Woo, October 18, 1989; Kim Young Sam, July 26, 1995; and Kim Dae Jung, June 10, 1998. Neither South Korean who was president during South Korea's period of military rule, Park Chung Hee (1961-1979) nor Chun Doo Hwan (1979-1988), received the honor of addressing a joint meeting of Congress. Neither did Roh Moo-hyun (2003-2008). South Korea-U.S. tensions spiked during Roh's presidency.

Figure 2. Map of the Korean Peninsula



Sources: Map produced by CRS using data from ESRI, and the U.S. Department of State's Office of the Geographer.

Notes: The "Cheonan Sinking" refers to the March 2010 sinking of a South Korean naval vessel, the *Cheonan*, killing over 40 ROK sailors. A multinational investigation led by South Korea determined that the vessel was sunk by a North Korean submarine. Yeonpyeong Island was attacked in November 2010 by North Korean artillery, which killed four South Koreans (two marines and two civilians) and wounded dozens.

* This map reflects geographic place name policies set forth by the United States Board on Geographic Names pursuant to P.L. 80-242. In applying these policies to the case of the sea separating the Korean Peninsula and the

Japanese Archipelago, the board has determined that the “Sea of Japan” is the appropriate standard name for use in U.S. government publications. The Republic of Korea refers to this body of water as the “East Sea.” It refers to the “Yellow Sea” as the “West Sea.”

Large majorities of South Koreans say they value the U.S.-ROK alliance and have positive opinions of the United States.³⁷ However, many South Koreans are resentful of U.S. influence and chafe when they feel their leaders offer too many concessions to the United States. Many South Korean officials also tend to be wary of being drawn into U.S. policies that they perceive as possibly antagonizing China, and are much more suspicious of Japan’s actions in East Asia than are most U.S. policymakers. Although many of these concerns are widely held in South Korea, they are particularly articulated by Korea’s progressive groups, who have opposed much of current President Park’s agenda, including the relatively hard line she has taken against North Korea.

Historical Background

The United States and South Korea have been allies since the United States intervened on the Korean Peninsula in 1950 and fought to repel a North Korean takeover of South Korea. Over 33,000 U.S. troops were killed and over 100,000 were wounded during the three-year conflict. On October 1, 1953, a little more than two months after the parties to the conflict signed an armistice agreement, the United States and South Korea signed a Mutual Defense Treaty, which provides that if either party is attacked by a third country, the other party will act to meet the common danger. The United States maintains about 28,500 troops in the ROK to supplement the 650,000-strong South Korean armed forces. South Korea deployed troops to support the U.S.-led military campaign in Vietnam. South Korea subsequently has assisted U.S. deployments in other conflicts, most recently by deploying over 3,000 troops to play a non-combat role in Iraq and over 300 non-combat troops to Afghanistan.

Beginning in the 1960s, rapid economic growth propelled South Korea into the ranks of the world’s largest industrialized countries. For nearly two decades, South Korea has been one of the United States’ largest trading partners. Economic growth, coupled with South Korea’s transformation in the late 1980s from a dictatorship to a democracy, also has helped transform the ROK into a mid-level regional power that can influence U.S. policy in Northeast Asia, particularly the United States’ approach toward North Korea.

North Korea in U.S.-ROK Relations

North Korea Policy Coordination

Dealing with North Korea is the dominant strategic element of the U.S.-South Korean relationship. South Korea’s growing economic, diplomatic, and military power has given Seoul a much more direct and prominent role in Washington’s planning and thinking about how to deal with Pyongyang. One possible indicator of South Korea’s centrality to diplomacy over North Korea is that no successful round of the Six-Party nuclear talks has taken place when inter-

³⁷ In a 2014 Pew Research Center survey, over 80% of South Koreans registered a “favorable” opinion of the United States, compared to less than 50% in 2003. Pew Research Center, “Global Indicators Database,” accessed March 3, 2015, and available at <http://www.pewglobal.org/database/indicator/1/>. South Korea recorded the fourth-highest opinions of the United States.

Korean relations have been poor.³⁸ Since 2009, the United States and South Korea in effect have adopted a joint approach to Pyongyang that has four main components:

- keeping the door open to Six-Party Talks over North Korea’s nuclear program but refusing to restart them without a North Korean assurance that it would take “irreversible steps” to denuclearize;
- insisting that Six-Party Talks and/or U.S.-North Korean talks must be preceded by North-South Korean talks on denuclearization and improvements in North-South Korean relations;
- gradually attempting to alter China’s strategic assessment of North Korea; and
- responding to Pyongyang’s provocations by tightening sanctions against North Korean entities and conducting a series of military exercises.

The two countries’ approach appears to focus on containing, rather than rolling back, North Korea’s nuclear activities by gradually increasing international pressure against North Korea. One drawback is that it has allowed Pyongyang to control the day-to-day situation, according to some experts. While Washington and Seoul wait to react to Pyongyang’s moves, the criticism runs, North Korea has continued to develop its nuclear and missile programs and has embarked on a propaganda offensive designed to shape the eventual negotiating agenda to its benefit. Prior to 2016, when Park hardened her approach in response to North Korea’s January nuclear test and February satellite launch, many of her proposed initiatives with North Korea appeared to be designed to rectify these perceived shortcomings. To date, however, North Korea’s general refusal to accept Park’s overtures has not provided her government with an opportunity to apply her policies.

The joint U.S.-ROK approach has involved elements of both engagement and pressure. Washington and Seoul have tended to reach out to North Korea during relatively quiescent periods. In contrast, they have tended to emphasize pressure tactics during times of increased tension with North Korea. These periods of tension occurred repeatedly after Lee Myung-bak’s inauguration in February 2008. Most notably, they included:

- North Korean nuclear tests in May 2009, February 2013, and January 2016;
- North Korean long-range rocket launches in April 2009, April 2012, December 2012, and February 2016;
- the March 2010 sinking of a South Korean naval vessel, the *Cheonan*; the November 2010 North Korean artillery attack on the South Korean island of Yeonpyeong-do; and an August 2015 landmine explosion—blamed on North Korea—on the South Korean side of the demilitarized zone (DMZ).³⁹

³⁸ The Six-Party talks were held among China, Japan, North Korea, Russia, South Korea, and the United States between 2003 and 2008.

³⁹ On Yeonpyeong Island, over 150 shells fired by North Korea killed four South Koreans (two Marines and two civilians), wounded dozens, and destroyed or damaged scores of homes and other buildings. All 46 South Korean sailors on the *Cheonan* died. A multinational team that investigated the sinking, led by South Korea, determined that the ship was sunk by a North Korean submarine. The cause of the *Cheonan*’s sinking has become highly controversial in South Korea. While most conservatives believe that North Korea was responsible for explosion, many who lean to the left have criticized the investigation team as biased or argue that its methodology was flawed. As for the 2015 landmine explosion, an investigation by the United Nations Command, which is commanded by a U.S. officer who concurrently serves as commander of U.S. forces in Korea, found that the mines had been placed recently by North Korean infiltrators, in violation of the 1953 Armistice Agreement among the parties to the Korean War. United States Forces Korea, “United Nations Command Military Armistice Commission Investigates Land Mine Detonation in (continued...)”

The shelling of Yeonpyeong Island was North Korea's first direct artillery attack on ROK territory since the 1950-1953 Korean War and served to harden South Korean attitudes toward North Korea. President Lee reportedly stated that he wanted to order a retaliatory air strike, but the existing rules of engagement—which he subsequently relaxed—and the existence of the U.S.-ROK military alliance restrained him.⁴⁰ After North Korea's attack on Yeonpyeong Island, many conservative Koreans criticized as insufficient the Lee government's military response, which primarily consisted of launching about 80 shells at North Korea and holding large-scale exercises with the United States. Park Geun-hye has made boosting deterrence against North Korea a tenet of her presidency, and has vowed to retaliate if North Korea launches another conventional attack.⁴¹

Inter-Korean Relations and Park Geun-Hye's "Trustpolitik"

Prior to February 2016, Park's statements on North Korea policy included elements of both conciliation and firmness, and she has written that her approach would "entail assuming a tough line against North Korea sometimes and a flexible policy open to negotiations other times."⁴² Thus, it is possible to see Park's February 2016 announcement of punitive measures against North Korea as a continuation of her approach, albeit with an almost exclusive emphasis on the "tough" side. During a joint press conference with President Obama in October 2015, Park was asked to compare North Korea and Iran's willingness to negotiate on their nuclear weapons programs, particularly in light of the 2015 nuclear agreement between Iran and the P5+1 countries.⁴³ Park responded that unlike Tehran, Pyongyang has yet to

come to its own conclusion that it is genuinely willing to give up nuclear capabilities and become a full-fledged member of the international society.... If they don't have that, then even if we have international concerted efforts, then we won't see a conclusion to these negotiations or talks like we saw with Iran.⁴⁴

The Pyongyang regime, led by its young leader Kim Jong-un, may feel particularly threatened by Park's public calls for South Korea and the international community to prepare for and welcome reunification, which Park appears to assume will occur largely on South Korea's terms.⁴⁵

Since she began campaigning for the 2012 presidential election, Park has called for creating a "new era" on the Korean Peninsula by building trust between North and South Korea. On the other hand, Park also has long stated that a nuclear North Korea "can never be accepted" and that

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Demilitarized Zone," August 10, 2015, <http://www.usfk.mil/Media/News/tabid/12660/Article/613533/united-nations-command-military-armistice-commission-investigates-land-mine-det.aspx>.

⁴⁰ "Lee Recalls Getting Tough with N. Korea," *Chosun Ilbo*, February 5, 2013.

⁴¹ "Park Vows to Make N. Korea 'Pay' If It Attacks S. Korea," *Korea Herald*, May 7, 2013.

⁴² Park Geun-hye, "A New Kind of Korea: Building Trust Between Seoul and Pyongyang," *Foreign Affairs*, September/October 2011.

⁴³ The P5+1 countries are China, France, Germany, Russia, the United States, and the United Kingdom. For more, see CRS Report R44142, *Iran Nuclear Agreement: Selected Issues for Congress*, coordinated by (name redacted) and (name redacted).

⁴⁴ White House, "Remarks by President Obama and President Park of the Republic of Korea in Joint Press Conference," October 16, 2015.

⁴⁵ The October 2015 joint statement on North Korea says, "The United States will continue to strongly support [President Park's] vision of a peacefully unified Korean Peninsula.... We will intensify high-level strategic consultations to create a favorable environment for the peaceful unification of the Korean Peninsula." White House, "2015 United States-Republic of Korea Joint Statement on North Korea," October 16, 2015.

building trust with Pyongyang will be impossible if it cannot keep the agreements made with South Korea and the international community. Park also has said that South Korea will “no longer tolerate” North Korean military attacks, that they will be met with an “immediate” South Korean response, and that the need for South Korea to punish North Korean military aggression “must be enforced more vigorously than in the past.”⁴⁶

The first step in Park’s plan has been attempting to deter North Korea’s provocations by strengthening South Korea’s defense capabilities, while simultaneously promoting a range of dialogues and projects with North Korea, generally on a relatively small scale. Among short-term inter-Korean initiatives, she has proposed that the two Koreas resume a regular dialogue process; hold regular reunions for families separated since the Korean War ended in 1953; take steps to link their rail systems and ports, with an eventual goal of connecting the Korean Peninsula to the Eurasian continent; and launch assistance programs by South Korea to help North Korean pregnant mothers and young children, as well as North Korea’s agricultural sector.⁴⁷

Most of Park’s inter-Korean cooperation initiatives appear to be calibrated to North Korea’s behavior. For instance, while she generally has de-linked family reunions and some forms of humanitarian assistance from overall political developments, other steps would apparently require bigger changes from North Korea. In particular, Park has affirmed that large-scale assistance is dependent on progress on denuclearization and North Korea refraining from military provocations.

For a time in late 2015, relations between the two Koreas thawed, providing Park an opportunity to test how far her cooperative initiatives could go. Following an escalation of tensions in August, prompted by the aforementioned DMZ landmine explosion, the two Koreas negotiated a joint statement in which:

- the two sides agreed to hold future meetings to discuss how to improve relations;
- North Korea made a rare expression of “regret” over the landmine victims’ injuries; and
- the two sides agreed to hold in the fall of 2015 a round of reunions for family members separated since the Korean War era.⁴⁸

Following the reunions of 643 South Koreans and 329 North Koreans in late October 2015, the North Korean Red Cross reportedly said that it was willing to discuss holding regular family reunions and allowing letters to be exchanged between separated family members.⁴⁹ Negotiations between the two sides, however, have not produced tangible results.

Deterrence Issues

One factor that may influence U.S.-ROK cooperation on North Korea is Pyongyang’s apparent progress in its missile and nuclear programs. North Korea’s February 2013 nuclear test, for instance, triggered calls in South Korea for the United States to redeploy tactical nuclear weapons in the ROK and for South Korea to develop its own nuclear weapons deterrent. To reassure South

⁴⁶ Ibid.

⁴⁷ Joint Press Release by Ministries of Unification, Foreign Affairs, National Defense, and Patriots and Veterans Affairs, “Let’s End the Era of Division and Open Up the Era of Unification,” January 19, 2015; Ministry of Unification Press Release, “2015 MOU Work Plan Presented to the President,” January 19, 2015.

⁴⁸ Blue House, “Joint Press Release from the Inter-Korean High-Level Meeting,” August 25, 2015.

⁴⁹ Hyun-bi Park, “Red Cross Chair: North Open to Letter Exchanges, More Reunions,” *NK News*, October 26, 2015.

Korea and Japan after North Korea's test, President Obama personally reaffirmed the U.S. security guarantee of both countries, including extended deterrence under the United States' so-called "nuclear umbrella." In early March 2013, Park stated that "provocations by the North will be met by stronger counter-responses," and the chief operations officer at South Korea's Office of the Joint Chiefs of Staff was widely quoted as saying that if South Korea is attacked, it will "forcefully and decisively strike not only the origin of provocation and its supporting forces but also its command leadership."⁵⁰ (South Korean defense officials later clarified that "command leadership" referred to mid-level military commanders who direct violent attacks and not North Korean political leaders such as Kim Jong-un.) According to reports, since 2015 the U.S. and ROK militaries have prepared and exercised new war plans to strike North Korean WMD facilities and top leadership in an emergency situation.⁵¹

Since North Korea's 2010 shelling of Yeonpyeong Island, South Korean leaders have shown a greater willingness to countenance the use of force against North Korea. After the attack, the Lee government pushed the alliance to develop a new "proactive deterrence" approach that calls for a more flexible posture to respond to future attacks, as opposed to the "total war" scenario that previously drove much of U.S. Forces Korea (USFK) defense planning. For instance, Lee pushed the United States to relax restrictions on South Korean ballistic missiles and relaxed the rules of engagement to allow frontline commanders greater freedom to respond to a North Korean attack without first asking permission from the military chain of command.⁵² Such changes have made some analysts and officials more concerned about the possibility that a small-scale North Korean provocation could escalate.⁵³ U.S. defense officials insist that the exceedingly close day-to-day coordination in the alliance ensures that U.S.-ROK communication would be strong in the event of a new contingency. The 2013 "Counter-Provocation Plan" was developed to adapt both to the new threats envisioned from North Korea and to the South Korean government's new attitudes about retaliation.

Security Relations and the U.S.-ROK Alliance

The United States and South Korea are allies under the 1953 Mutual Defense Treaty. Under the agreement, U.S. military personnel have maintained a continuous presence on the Korean Peninsula and are committed to help South Korea defend itself, particularly against any aggression from the North. The United States maintains about 28,500 troops in the ROK. In 2007 and 2008, U.S. commanders in South Korea stated that the future U.S. role in the defense of South Korea would be mainly an air force and naval role. The ROK armed forces today total around 630,000 troops, with about 500,000 of them in the Army and around 65,000 each in the Air Force and Navy. Since 2004, the U.S. Air Force has increased its strength in South Korea through the regular rotation into South Korea of advanced strike aircraft. These rotations are not a permanent presence, but the aircraft often remain in South Korea for weeks and sometimes months for training.

⁵⁰ Blue House, "Park Geun-hye 2013 March 1st Speech," March 1, 2013; Choe Sang-Hun, "South Korea Pushes Back on North's Threats," *NYTimes.com*, March 6, 2013.

⁵¹ Anna Fifield, "In Drills, U.S., South Korea Practice Striking North's Nuclear Plants," *Washington Post*, March 7, 2016.

⁵² "Lee Recalls Getting Tough with N. Korea," *Chosun Ilbo*, February 5, 2013.

⁵³ USFK Commander Curtis Scaparrotti testified to Congress that the cycle of action and counter-action between North Korea and the U.S.-ROK alliance in August 2015 "could have spiraled out of control." U.S. Congress, Senate Committee on Armed Services, *Hearing on U.S. Pacific Command and U.S. Forces Korea*, 114th Cong., 2nd sess., February 23, 2016.

South Korea is included under the U.S. “nuclear umbrella,” also known as “extended deterrence.” A bilateral understanding between Washington and Seoul gives U.S. forces the “strategic flexibility” to respond to contingencies outside the peninsula, but under the condition that South Korea would have to consent to their deployment in an East Asian conflict. In the past, issues surrounding U.S. troop deployments have been a flashpoint for public disapproval of the military alliance, led by progressive political groups. But in recent years public support for the alliance has become broader and more resilient to incidents involving U.S. bases and soldiers in South Korea.

Despite the strengths of the alliance, tensions periodically arise in the partnership. Some of these involve typical alliance conflicts over burden sharing and cost overruns of ongoing realignment initiatives. Others reflect sensitive sovereignty issues involving Seoul’s control over its own military forces and desire to develop its own defense industry without dependence on American equipment. And although the United States and South Korea share a common interest in repelling any North Korea attack, views on the overall security landscape in Northeast Asia differ. Seoul resists adopting positions that threaten or offend China, and often expresses misgivings about Japan’s efforts to expand its military capabilities.

Upgrades to the Alliance

Since 2009, the two sides have accelerated steps to transform the U.S.-ROK alliance, broadening it from its primary purpose of defending against a North Korean attack to a regional and even global partnership. At the same time, deadly provocations from North Korea have propelled more integrated bilateral planning for responding to possible contingencies. In 2011, the allies adopted a “proactive deterrence” policy to respond swiftly and forcefully to further provocations. Increasingly advanced joint military exercises have reinforced the enhanced defense partnership. In March 2013, U.S. officials disclosed that U.S. B-52 and B-2 bombers participated in exercises held in South Korea, following a period of unusually hostile rhetoric from Pyongyang.⁵⁴ The number and pace of high-level meetings have also increased. Since holding their first ever so-called “2+2” meeting between the U.S. Secretaries of State and Defense and their South Korean counterparts in 2010, the two sides have held two more 2+2 meetings with an expansive agenda of cooperative initiatives that includes issues far beyond shared interests on the Korean Peninsula. These areas include cybersecurity, space, missile defense, nuclear safety, climate change, Ebola, and multiple issues in the Middle East. Since 2011, the Korea-U.S. Integrated Defense Dialogue (KIDD) has held biannual meetings at the Deputy Minister level to serve as the umbrella framework for multiple U.S.-ROK bilateral security initiatives.

Ballistic Missile Defense and Potential THAAD Deployment

As the threat of North Korean ballistic missiles has appeared to intensify in recent years, the United States and South Korea have examined how to improve their BMD capabilities to defend South Korea and U.S. forces stationed there. The United States has urged South Korea to develop or procure advanced BMD capabilities and to integrate them with U.S. and allied BMD systems in the region. The Vice Chairman of the U.S. Joint Chiefs of Staff stated that a regional missile defense system would be more effective against North Korean missile launches and would share the burden of defense among allies.⁵⁵ However, Washington and Seoul have settled on a policy of

⁵⁴ Jay Solomon, Julian Barnes, and Alastair Gale, “North Korea Warned—U.S. Flies Stealth Bombers over Peninsula in Show of Might,” *Wall Street Journal*, March 29, 2013.

⁵⁵ Paul McLeary, “Burden Sharing Is the Future of Asian Missile Defense, Pentagon Official Says,” *Defense News*, (continued...)

interoperability rather than integration, at least for the short term. Seoul has been resistant to the concept of a regional integrated BMD system for several reasons: the desire, especially strong among progressive Koreans, for more strategic autonomy; a reluctance to irritate China, which has consistently voiced opposition to U.S. BMD deployments; and a disinclination to cooperate with Japan due to poor relations based on disputes over historical and territorial issues.

South Korea has placed a heavy emphasis on indigenous development of high-technology defense systems. South Korea is developing its own missile defense system, called Korea Air and Missile Defense (KAMD), which could be compared to the U.S.-produced PAC-2—a second-generation Patriot air defense system. KAMD will be interoperable with alliance systems and aims to gradually incorporate more advanced BMD equipment as those elements are procured. The ROK Navy has three destroyers with Aegis tracking software but no missile interceptors, and the ROK Army fields PAC-2 interceptors. The South Korean military will reportedly purchase U.S. equipment, such as PAC-3 interceptors, SM-2 surface-to-air missiles, and the more advanced SM-6 air defenses starting in 2016.

The potential deployment of one particular BMD system called the Theater High-Altitude Area Defense (THAAD) system has been controversial in South Korea. According to reports, the U.S. Department of Defense (DOD) had been considering deploying one of its THAAD systems to South Korea since 2014.⁵⁶ After the North Korean satellite launch in February 2016, U.S. and ROK officials made a joint statement that the allies would examine such a deployment. China has complained that the THAAD system's powerful X-band radar could be configured to allow the United States to monitor airspace deep into Chinese territory, and some Chinese analysts believe that the radar could, in combination with other BMD upgrades, place the United States in a position to nullify China's strategic nuclear deterrent.⁵⁷ The Chinese ambassador to Seoul warned in February 2016 that the China-ROK relationship could be “destroyed in an instant” if the United States places THAAD in South Korea.⁵⁸ Russia also has opposed the deployment of THAAD in South Korea. South Korean officials and politicians have protested China's posture, defending the utility of the BMD system for intercepting North Korean missiles, and a poll showed that 67% of South Koreans were in favor of hosting THAAD on their territory.⁵⁹ In one sense, the proposed THAAD deployment has become a litmus test for Seoul's relations with Beijing and Washington. Yet, South Korea has other concerns surrounding this issue, such as the potential costs of deploying the THAAD system from the United States, the effectiveness of THAAD against North Korean missiles, and the timeframe when a THAAD system could become available for South Korea.⁶⁰

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May 28, 2014.

⁵⁶ Julian Barnes, “Washington Considers Missile-Defense System in South Korea,” *Wall Street Journal*, May 27, 2014.

⁵⁷ Elbridge Colby and Wu Riqiang, *Seeking Strategic Stability for U.S.-China Relations in the Nuclear Domain*, National Bureau of Asian Research, U.S.-China Relations in Strategic Domains, NBR Special Report #57, Seattle, WA, April 2016, pp. 21-41.

⁵⁸ Choe Sang-hun, “South Korea Tells China Not to Intervene in Missile-Defense System Talks,” *New York Times*, February 24, 2016.

⁵⁹ “Majority of S. Koreans Back Kaesong Industrial Park Closure: Poll,” *Yonhap News Agency*, February 14, 2016.

⁶⁰ Rob York, “Why Seoul Shrugs at U.S.-Led Missile Defense,” *NK News*, August 29, 2014.

The Relocation of U.S. Forces Korea (USFK)

The planned realignment of all U.S. forces from bases near the de-militarized zone (DMZ) border with North Korea to bases farther south is progressing after initial delays, but challenges with USFK force posture remain. Troop levels remain at about 28,500. The realignment plan reflects the shift toward a supporting role for USFK and a desire to resolve the issues arising from the location of the large U.S. Yongsan base in downtown Seoul.

The USFK base relocation plan has two elements. The first involves the transfer of a large percentage of the 9,000 U.S. military personnel at the Yongsan base to U.S. Army Garrison (USAG) Humphreys, which is located near the city of Pyeongtaek some 40 miles south of Seoul. The second element involves the relocation of about 10,000 troops of the Second Infantry Division from the demilitarized zone to areas south of the Han River (which runs through Seoul). The end result would be that USFK sites will decline to 96, from 174 in 2002. The bulk of U.S. forces will be clustered in the two primary “hubs” of Osan Air Base/USAG Humphreys and USAG Daegu that contain five “enduring sites” (Osan Air Base, USAG Humphreys, USAG Daegu, Chinhae Naval Base, and Kunsan Air Base). U.S. counter-fires (counter-artillery) forces stationed near the DMZ are the exception to this overall relocation. The United States and South Korea agreed that those U.S. units would not relocate to USAG Humphreys until the South Korean counter-fires reinforcement plan is completed around the year 2020.⁶¹ The city of Dongducheon, where those soldiers are based, has protested this decision and withdrawn some cooperation with the U.S. Army.⁶²

The relocations to Pyeongtaek originally were scheduled for completion in 2008, but have been postponed several times because of the slow construction of new facilities at Pyeongtaek and South Korean protests of financial difficulties in paying the ROK share of the relocation costs. The commander of USFK stated that 65% of the relocation program was complete as of the end of 2015, and that “the majority of unit relocations will occur through 2018.”⁶³ The original cost estimate was over \$10 billion; South Korea was to contribute \$4 billion of this. Estimates in 2010 placed the overall costs at over \$13 billion. In congressional testimony in April 2016, a U.S. official stated that South Korea is funding 91% of the total \$10.7 billion cost of USFK relocations.⁶⁴ U.S. Ambassador Mark Lippert testified to Congress in June 2014 that the Humphreys Housing Opportunity Program (privately developed housing for servicemembers and their families inside the base) was a “challenging issue” and that the Defense Department was re-examining housing plans at USAG Humphreys.⁶⁵ In summer 2013, USFK broke ground for the new headquarters of the U.S.-Korea Command (KORCOM) and United Nations Command (UNC) in Pyeongtaek. The facility is to become the command center for U.S. forces after the planned transfer of wartime operational control.

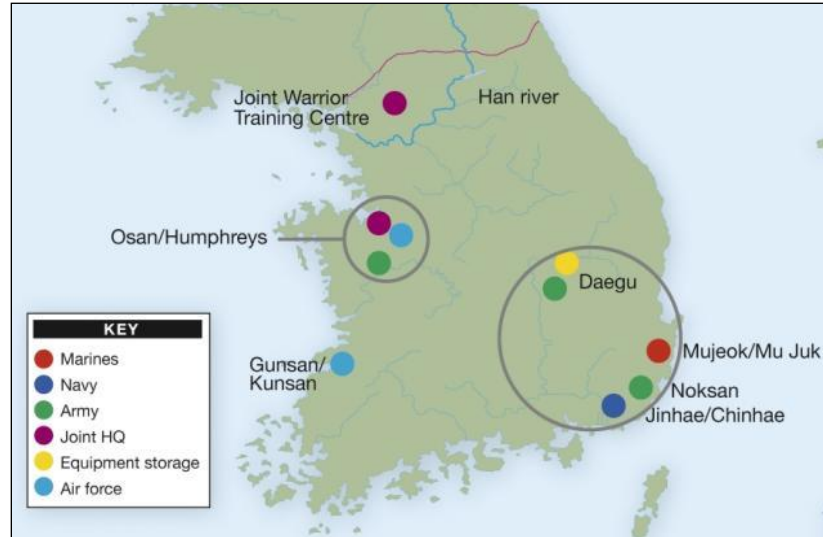
⁶¹ “Joint Communique of the 46th ROK-U.S. Security Consultative Meeting,” U.S. Department of Defense, Washington, DC, October 23, 2014.

⁶² Jun Ji-hye, “City Protests US Troop Presence,” *Korea Times*, January 13, 2015.

⁶³ Written testimony of General Curtis Scaparrotti. U.S. Congress, Senate Committee on Armed Services, *Hearing on U.S. Pacific Command and U.S. Forces Korea*, 114th Cong., 2nd sess., February 23, 2016.

⁶⁴ Written testimony of General Vincent K. Brooks. U.S. Congress, Senate Committee on Armed Services, *Hearing on the Nomination of General Brooks*, 114th Cong., 2nd sess., April 19, 2016.

⁶⁵ U.S. Congress, Senate Committee on Foreign Relations, *Senate Foreign Relations Committee Holds Confirmation Hearing on Various Ambassadorial and U.S. Agency for International Development Nominations*, 113th Cong., 2nd sess., June 17, 2014.

Figure 3. USFK Bases After Realignment Plan Is Implemented

Source: *Jane's Sentinel Security Assessment—China and Northeast Asia*, date posted April 15, 2010.

Tour Normalization Debate and Rotation of Army Units to South Korea⁶⁶

Another complicating factor in the development of the Yongsan Relocation Plan is the announcement by the Pentagon in 2008 that U.S. military families, for the first time, would be allowed to join U.S. military personnel in South Korea. Most U.S. troops in South Korea serve one-year unaccompanied assignments. The goal was to phase out one-year unaccompanied tours in South Korea, replacing them with 36-month accompanied or 24-month unaccompanied tours. Supporters of the plan argued that accompanied tours create a more stable force because of longer, more comfortable tours. If implemented, the “normalization” of tours would increase the size of the U.S. military community at Osan/Humphreys near Pyeongtaek to over 50,000.

Some Members of Congress raised strong concerns about existing plans to relocate U.S. bases in South Korea and normalize the tours of U.S. troops there. In June 2011, the Senate Armed Services Committee (SASC) passed amendments to the FY2012 National Defense Authorization Act that prevents the obligation of any funds for tour normalization until further reviews of the plan are considered and a complete plan is provided to Congress. The National Defense Authorization Act for Fiscal Year 2013 (H.R. 4310/P.L. 112-239) includes a provision (Section 2107) that continues to prohibit funds for tour normalization. For the time being, at least, the DOD has “stopped pursuing Tour Normalization as an initiative for Korea.”⁶⁷ In January 2013, USFK released a statement saying, “while improvements to readiness remain the command’s first priority, tour normalization is not affordable at this time.”⁶⁸ An April 2013 SASC report criticized

⁶⁶ (name redacted), CRS Specialist in Military Ground Forces, contributed to this section.

⁶⁷ U.S. Congress, Senate Committee on Armed Services, *Advance Questions for Lieutenant General Curtis Scaparrotti, USA, Nominee to Be Commander, United Nations Command/Combined Forces Command/United States Forces Korea*, 113th Cong., 1st sess., July 30, 2013.

⁶⁸ Ashley Rowland, “USFK: Program to Move Families to Korea ‘Not Affordable at This Time,’” *Stars and Stripes*, January 8, 2013.

the policy change as expensive and questioned the legality of how DOD calculated the housing allowance.⁶⁹

In October 2013, the U.S. Army began a program of rotating units to South Korea for a nine-month tour of duty in lieu of having selected combat units permanently based in South Korea. Some defense analysts have raised concerns about the cost and the effectiveness of rotational forces vis-a-vis permanently assigned forces. Those favoring permanently assigned forces cite the benefits of having greater familiarity and experience with the challenging and complex terrain in South Korea as well as its unique climatic conditions. Another perceived benefit of permanently assigned forces is the opportunity they provide to develop long-term relationships with South Korean military counterparts. On the other hand, the Army suggests there are benefits of employing rotational forces in lieu of permanently assigned units.⁷⁰ Noting troops are typically stationed in South Korea for one- or two-year tours, Army officials reportedly suggest this leads to frequent turnover of personnel in permanently assigned units, detracting from unit cohesion and impacting a unit's effectiveness. In the case of rotational units, they typically arrive in Korea shortly after a deployment to a Combat Training Center at a high state of readiness and without having to contend with the significant turnover of Korea-assigned units. Army officials suggest that the advantages of rotational units outweigh their initial unfamiliarity with the terrain, climate, and their South Korean counterparts.

Cost Sharing

Since 1991, South Korea has provided financial support through a series of Special Measures Agreements (SMAs) to offset the cost of stationing U.S. forces in Korea. In January 2014, Seoul and Washington agreed to terms for the next five-year SMA, covering 2014-2018. Under the new agreement, Seoul will raise its contribution by 6% to 920 billion Korean won (\$867 million) in 2014 and then increase its annual payments at the rate of inflation. The new SMA also makes U.S. use of South Korean funds more transparent than in the past, in response to South Korean criticism. The ROK Ministry of Defense must approve every contract for which SMA funds are obligated, and USFK is to submit an annual report on the SMA funds to the National Assembly. Even with these changes, Korean opposition lawmakers complained that the agreement is “humiliating” and that USFK might use SMA funds to finance portions of the relocation plan (see above) in violation of the 2004 agreement.

According to a 2013 SASC report, U.S. military non-personnel costs in South Korea totaled about \$1.1 billion in 2012, and Korean SMA payments totaled 836 billion won (\$765 million). In 2016 testimony to Congress, General Vincent Brooks testified that the SMA provides for roughly 50% of the total non-personnel stationing costs for the U.S. troop presence.⁷¹ South Korean SMA payments have not kept pace with rising U.S. costs. The 2013 SASC report says that between 2008 and 2012 South Korea's contributions grew by about \$42 million (in line with the pace of inflation), while U.S. non-personnel costs increased by more than \$500 million.

⁶⁹ U.S. Congress, Senate Committee on Armed Services, *Inquiry into U.S. Costs and Allied Contributions to Support the U.S. Military Presence Overseas*, 113th Cong., April 15, 2013, S.Rept. 113-12 (Washington: GPO, 2013).

⁷⁰ Ashley Rowland, “Rotational Units in South Korea Boost Readiness, Unit Cohesion,” *Stars and Stripes*, October 10, 2014 and Ashley Rowland and Jon Harper, “2nd ID Unit in Korea to Deactivate, be Replaced by Rotational Force,” *Stars and Stripes*, November 6, 2014.

⁷¹ U.S. Congress, Senate Committee on Armed Services, *Hearing on the Nomination of General Brooks*, 114th Cong., 2nd sess., April 19, 2016.

Opcon Transfer

The United States has agreed to turn over the wartime command of Korean troops to South Korea, but the two sides have postponed this transfer for several years. Under the current command arrangement, which is a legacy of U.S. leadership of the U.N. coalition in the 1950-1953 Korean War, South Korean soldiers would be under the command of U.S. forces if there were a war on the peninsula. The plan to transfer wartime operational control recognizes South Korea's advances in economic and military strength since the Korean War and is seen by many Koreans as important for South Korean sovereignty. Under a 2007 agreement, the U.S.-ROK Combined Forces Command (CFC), which has been headed by the U.S. commander in Korea, is to be replaced with separate U.S. and ROK military commands; the provisional name of the new U.S. command is Korea Command (KORCOM). When the U.S. and ROK militaries operate as a combined force under the new command structure, U.S. forces may be under the operational command of a Korean general officer, but U.S. general officers are to be in charge of U.S. subcomponents.⁷² A bilateral Military Cooperation Center would be responsible for planning military operations, military exercises, logistics support, and intelligence exchanges, and assisting in the operation of the communication, command, control, and computer systems. It is unclear what role the U.N. Command, which the USFK Commander also holds, will have in the future arrangement.

In 2010, the Opcon transfer was postponed to 2015 after a series of provocations from North Korea and amid concerns about whether South Korean forces were adequately prepared to assume responsibility. As the new deadline of 2015 grew closer, concerns again emerged about the timing. Reportedly, South Korean officials worried that their military was not fully prepared to cope with North Korean threats and that Pyongyang might interpret the Opcon transfer as a weakening of the alliance's deterrence.⁷³ Some military experts expressed concern that turning over control would lead to the United States reducing its overall commitment to South Korean security.⁷⁴ In October 2014, the United States and South Korea announced in a joint statement that the allies would take a "conditions-based approach" to the Opcon transfer and determine the appropriate timing based on South Korean military capabilities and the security environment on the Korean Peninsula.⁷⁵ The decisions to delay the Opcon transfer could be interpreted as a flexible adjustment to changed circumstances on the Korean Peninsula or as emblematic of problems with following through on difficult alliance decisions.

In testimony to Congress in April 2015, USFK Commander General Curtis Scaparrotti explained the three general conditions for Opcon transfer:⁷⁶

- South Korea must develop the command and control capacity to lead a combined and multinational force in high-intensity conflict,
- South Korea must improve its capabilities to respond to the growing nuclear and missile threat in North Korea, and

⁷² General Curtis Scaparrotti, U.S. Department of Defense Press Briefing, Washington, DC, October 24, 2014.

⁷³ Song Sang-ho, "Allies Rack Brains over OPCON Transfer," *Korea Herald*, May 6, 2014.

⁷⁴ Lee Chi-dong and Roh Hyo-dong, "OPCON Transfer May Usher in Withdrawal of U.S. Troops from Korea: Ex-General," *Yonhap News Agency*, November 18, 2013.

⁷⁵ "Joint Communique of the 46th ROK-U.S. Security Consultative Meeting," U.S. Department of Defense, Washington, DC, October 23, 2014.

⁷⁶ U.S. Congress, House Committee on Armed Services, *Hearing on the Risk of Losing Military Technology Superiority and its Implications for U.S. Policy, Strategy, and Posture in the Asia-Pacific*, 114th Cong., 1st sess., April 15, 2015.

- The Opcon transition should take place at a time that is conducive to a transition.

Scaparrotti stated that main areas of attention for improving South Korea's capabilities will be C4 (command, control, computers, and communication systems), BMD, munitions, and ISR (intelligence, surveillance, and reconnaissance) assets. Reportedly, the Opcon transfer may not occur until 2020 or later.⁷⁷

South Korean Defense Industry and Purchases of U.S. Weapon Systems

South Korea is a major purchaser of U.S. weapon systems and is regularly among the top customers for Foreign Military Sales (FMS). Over the five years from FY2009 to FY2014, South Korea signed FMS contracts for \$6.69 billion of U.S. defense equipment, in total. Although South Korea generally buys the majority of its weapons from the United States, European and Israeli defense companies also compete for contracts; Korea is an attractive market because of its rising defense expenditures.

South Korea is to purchase the Lockheed Martin F-35 Joint Strike Fighter to be its next main fighter aircraft, after the Ministry of National Defense (MND) in September 2013 threw out the yearlong acquisition process that selected the Boeing F-15SE fighter.⁷⁸ The cost of the F-35 had been too high for the original bid, according to reports, but Korean defense officials determined that only the F-35 met their requirements for advanced stealth capability. South Korea is to purchase 40 F-35 fighters at a total cost of \$7.83 billion, with the first delivery of aircraft scheduled for 2018.⁷⁹ The transfer of advanced defense technologies to South Korea was a key incentive in the contract with Lockheed Martin, according to reports, but the U.S. government denied the transfer of several technologies that the MND had been expecting to use in its own KF-X fighter development program.⁸⁰ The inability to secure the transfer of these four cutting-edge technologies from the United States became a minor scandal in South Korea in October 2015 and led President Park's top security advisor to resign. According to a 2013 article in *Foreign Policy*, U.S. officials were concerned that South Korea was exploiting U.S. defense technology in its indigenously produced equipment, and these concerns may have been a factor in the decision to deny the transfer of advanced electronic scanner array (AESA) technology.⁸¹

South Korea is to also purchase four RQ-4 "Global Hawk" unmanned aerial vehicles (UAVs) at a price of \$657 million in total.⁸² Given concerns that the sale could violate the Missile Technology Control Regime (MTCR) and non-proliferation norms, observers have called on the Obama Administration to ensure that the Global Hawks are used strictly for reconnaissance and are not armed.⁸³ Currently, the South Korean military only operates reconnaissance UAVs, but the MND budgeted \$447 million to indigenously develop a combat UAV by 2021.⁸⁴

⁷⁷ Park Byong-su, "OPCON Transfer Delayed Again, This Time to Early-2020s Target Date," *Hankyoreh*, September 17, 2014.

⁷⁸ Ser Myo-ja, "Military Selects Lockheed Martin Fighter," *Korea JoongAng Daily*, November 23, 2013.

⁷⁹ "Military Selects Lockheed Martin Fighter," *JoongAng Ilbo*, November 25, 2013.

⁸⁰ "Why Can U.S. Arms Dealers Pull Korea Around by the Nose?" *Chosun Ilbo*, editorial, September 23, 2015.

⁸¹ Gordon Lubold, "Is South Korea Stealing U.S. Military Secrets?" *Foreign Policy*, October 23, 2013.

⁸² Seth Robson, "US Approves Sale of Global Hawks to South Korea," *Stars and Stripes*, December 17, 2014.

⁸³ "Drones for South Korea," *New York Times*, editorial, December 29, 2012.

⁸⁴ Song Sang-ho, "U.S. Agrees to Extend Seoul's Ballistic Missile Range: Reports," *Korea Herald*, September 23, 2012.

Korea's Defense Reform 2020 legislation emphasizes the development of indigenous capabilities by increasing the percentage of funds allocated to defense research and development (R&D).⁸⁵ South Korea aims to improve the competitiveness of its defense industry, but problems with the reliability of certain systems pose a challenge; South Korean firms compete internationally in the armored vehicle, shipbuilding, and aerospace industries.⁸⁶ Lockheed Martin and Korea Aerospace Industries jointly developed the T-50 Golden Eagle, a trainer and light fighter aircraft that has been successful on the international market and will likely compete for the U.S. Air Force's next trainer aircraft contract.

The 110th Congress passed legislation that upgraded South Korea's status as an arms purchaser from a Major Non-NATO Ally to the NATO Plus Three category (P.L. 110-429), which has become NATO Plus Five. This upgrade establishes a higher dollar threshold for the requirement that the U.S. executive branch notify Congress of pending arms sales to South Korea, from \$14 million to \$25 million. Congress has 15 days to consider the sale and take legislative steps to block the sale compared to 30 days for Major Non-NATO Allies.

South Korea's Regional Relations

Looking at their surrounding neighborhood, South Koreans sometimes refer to their country as a "shrimp among whales." South Korea's relations with China and Japan, especially the latter, combine interdependence and rivalry. Until 2013, trilateral cooperation among the three capitals generally had been increasing, particularly in the aftermath of the 2008 global financial crisis. Between 2009 and 2012, leaders of the three countries met annually in standalone summits, established a trilateral secretariat in Seoul, signed an investment agreement, and laid the groundwork for trilateral FTA negotiations to begin.⁸⁷ In 2013, however, tensions between South Korea and Japan and between China and Japan froze much of this burgeoning trilateral cooperation. This hiatus lasted until November 2015, when the three countries resumed their trilateral leaders' meetings in Seoul. Japan is to host the next such gathering. Even during the freeze, the three countries continued their trilateral FTA negotiations, which were launched in November 2012.

Park Geun-hye often speaks of a Northeast Asian "paradox," in which there is a "disconnect between growing economic interdependence on the one hand and backward political-security cooperation on the other." To resolve this situation, Park has proposed a Northeast Asian Peace and Cooperation Initiative (NAPCI) to build trust among Northeast Asian countries and alleviate security problems through cooperation on non-traditional security issues, such as nuclear safety and the environment. Critics contend that NAPCI has yet to produce concrete results or define its objectives clearly.

South Korea-Japan Relations

South Korea's relations with Japan, strained since 2012, improved modestly in 2015 and early 2016, due in large measure to Japanese Prime Minister Shinzo Abe's avoidance of flagrantly inflammatory actions or statements on historical issues, the strength of the U.S.-Japan relationship, and Park's decision to relax her previous linkage between the Japanese government

⁸⁵ "South Korea Defense Budget," *Jane's Defence Budgets*, December 14, 2009.

⁸⁶ Simon Mundy, "South Korea Aims to Become Defence Powerhouse," *Financial Times*, November 6, 2013.

⁸⁷ From 1999 to 2007, trilateral summits were only held on the sidelines of the Association of Southeast Asian Nations' "Plus Three" summit (which included the 10 ASEAN countries plus China, Japan, and South Korea).

treatment of history issues and Seoul's willingness to participate in most forms of high-level bilateral activities.⁸⁸ Park responded to Prime Minister Abe's August 2015 statement commemorating the end of World War II by expressing disappointment that Abe "did not quite live up to our expectations," but also by speaking somewhat positively about other aspects of his statement.⁸⁹

Tensions between South Korea and Japan limit U.S. policy options in Northeast Asia and periodically cause difficulties between Washington and one or both of its two allies in Northeast Asia. Seoul and Tokyo disagree over how Imperial Japan's actions in the early 20th century should be handled in contemporary relations. The relationship is also challenged by conflicting territorial claims and strategic and economic competition. The ongoing opportunity costs to the United States have led some policy analysts to call for the United States to become more directly involved in trying to improve relations between South Korea and Japan.⁹⁰

U.S. policymakers have long encouraged enhanced South Korea-Japan relations. A cooperative relationship between the two countries, both U.S. treaty allies, and among the three is in U.S. interests because it arguably enhances regional stability, helps coordination over North Korea policy, and boosts each country's ability to deal with the strategic challenges posed by China's rise. However, despite increased cooperation, closeness, and interdependence between the South Korean and Japanese governments, people, and businesses over the past decade, mistrust on historical and territorial issues continues to linger. South Korea and Japan have competing claims to the small Dokdo/Takeshima islands in the Sea of Japan (called the East Sea by Koreans), and most South Koreans complain that Japan has not adequately acknowledged its history of aggression against Korea.⁹¹ For more than three generations beginning in the late 19th century, Japan intervened directly in Korean affairs, culminating in the annexation of the Korean peninsula in 1910. Over the next 35 years, Imperial Japan all but attempted to wipe out Korean culture.⁹² Among the victims were tens of thousands⁹³ of South Korean "comfort women" who during the 1930s and 1940s were recruited, many if not most by coercive measures, into providing sexual services for Japanese soldiers. Whenever South Koreans perceive that Japanese officials are downplaying or denying this history, it becomes difficult for South Korean leaders to support initiatives to institutionalize improvements in bilateral ties.

⁸⁸ Alastair Gale, "South Korea's Park Chides Abe but Seeks Stable Japan Ties," *Wall Street Journal*, May 4, 2015.

⁸⁹ Blue House, "Commemorative Address by President Park Geun-hye on the 70th Anniversary of Liberation," August 15, 2015.

⁹⁰ See, for instance, Brad Glosserman and Scott Snyder, *The Japan-South Korea Identity Clash East Asian Security and the United States* (New York: Columbia University Press), May 2015.

⁹¹ Since the early 1950s, South Korea has administered Dokdo/Takeshima, which the U.S. government officially calls the "Liancourt Rocks."

⁹² Many Koreans believe that the United States was complicit in this history, by reportedly informally agreeing in a 1905 meeting between U.S. Secretary of War William Taft and Japanese Prime Minister Taro Katsura that the United States would recognize Japan's sphere of influence over Korea in return for Japan doing the same for the United States in the Philippines.

⁹³ According to some Japanese sources, the number of South Korean comfort women was much lower.

“Comfort Women”-Related Legislation

The U.S. House of Representatives has taken an interest in the comfort women issue. In the 109th Congress, H.Res. 759 was passed by the House International Relations Committee on September 13, 2006, but was not voted on by the full House. In the 110th Congress, H.Res. 121, with 167 co-sponsors, was passed in the House on July 30, 2007, by voice vote. This resolution expresses the sense of the House that Japan should “formally acknowledge, apologize, and accept historical responsibility in a clear and unequivocal manner” for its abuses of the comfort women. The text of the resolution calls the system “unprecedented in its cruelty” and “one of the largest cases of human trafficking in the 20th century,” asserts that some Japanese textbooks attempt to downplay this and other war crimes, and states that some Japanese officials have tried to dilute the Kono Statement. In the 113th Congress, the 2014 Consolidated Appropriations Act (P.L. 113-76, H.R. 3547) indirectly referred to this resolution. P.L. 113-76’s conference committee issued a Joint Explanatory Statement that called on Federal Agencies to implement directives contained in the July 2013 H.Rept. 113-185, which in turn “urge[d] the Secretary of State to encourage the Government of Japan to address the issues raised” in H.Res. 121.

South Koreans’ interest in forming significant new institutional arrangements with Japan is dampened by three domestic factors in South Korea. First, continued suspicions of Japan among the South Korean population place political limitations on how far and how fast Korean leaders can improve relations. Second, continued disagreements over Dokdo/Takeshima’s sovereignty continue to weigh down the relationship. Third, unlike Japan, South Korea generally does not view China as an existential challenge and territorial threat. South Korea also needs Chinese cooperation on North Korea. Accordingly, South Korean leaders tend to be much more wary of taking steps that will alarm China. A factor that could change this calculation is if China is seen as enabling North Korean aggression. North Korean acts of provocation are often followed by breakthroughs in ROK-Japan relations, as well as in ROK-U.S.-Japan cooperation.

South Korea-China Relations

China’s rise influences virtually all aspects of South Korean foreign and economic policy. North Korea’s growing dependence on China since the early 2000s has meant that South Korea must increasingly factor Beijing’s actions and intentions into its North Korea policy. China’s influence over North Korea has tended to manifest itself in a number of ways in Seoul. For instance, Chinese support or opposition could be decisive in shaping the outcome of South Korea’s approaches to North Korea, both in the short term (such as handling sudden crises) and the long term (such as contemplating how to bring about re-unification). For this reason, a key objective of the joint Park/Obama policy toward North Korea is trying to alter China’s calculation of its own strategic interests so that they might be more closely aligned with Seoul and Washington rather than with Pyongyang. Additionally, many South Koreans worry that China’s economy is pulling North Korea, particularly its northern provinces, into China’s orbit.

On the other hand, China’s continued support for North Korea, particularly its perceived backing of Pyongyang after the Yeonpyeong Island shelling in 2010, has angered many South Koreans, particularly conservatives. China’s treatment of North Korean refugees, many of whom are forcibly repatriated to North Korea, has also become a bilateral irritant. Many South Korean conservatives also express concern that the Chinese have been unwilling to discuss plans for dealing with various contingencies involving instability in North Korea, though beginning in 2013 there were signs that Beijing had become more willing to engage in these discussions. Park Geun-hye has called for establishing a trilateral strategic dialogue among Korea, the United

States, and China that presumably could discuss various situations involving North Korea.⁹⁴ These calls increased in the weeks after North Korea's 2016 nuclear test and satellite launch.

Since China's 2001 entry into the World Trade Organization, China has emerged as South Korea's most important economic partner. Over 20% of South Korea's total trade is with China, twice the level for South Korea-U.S. and South Korea-Japan trade.⁹⁵ For years, China has been the number one location for South Korean firms' foreign direct investment, and the two countries signed a bilateral FTA in 2015. Yet, even as China is an important source of South Korean economic growth, it also looms large as an economic competitor. Fears of increased competition with Chinese enterprises have been an important motivator for South Korea's push to negotiate a series of FTAs with other major trading partners around the globe.

Park Geun-hye has placed a priority on improving South Korea's relations with China, which generally are thought to have been cool during Lee Myung-bak's tenure. The two sides have expanded a number of high-level arrangements designed to boost strategic communication and dialogue. As president, Park has held six summits with Chinese President Xi Jinping. In early September 2015, Park Geun-hye visited Beijing for a summit with Chinese President Xi Jinping and to attend a parade marking the 70th anniversary of the defeat of Imperial Japan in World War II, officially titled the "Commemoration of 70th Anniversary of Victory of Chinese People's Resistance Against Japanese Aggression and World Anti-Fascist War." Aside from the president of the Czech Republic, Park was the only leader of a U.S. ally and major democracy to attend the event, which featured a large parade of Chinese military hardware through Tiananmen Square. Park's appearance at the celebration caused some observers, particularly in Japan, to express concerns that South Korea and China are consolidating an anti-Japanese partnership and/or that Seoul is drifting into Beijing's orbit. Other observers suggested that this is not necessarily the case, pointing out that in the context of unprecedentedly weak ties between Beijing and Pyongyang, Park has sought to consolidate China's support for Korean unification and strategic coordination with Seoul and Washington at the expense of Pyongyang.⁹⁶ The Blue House (the residence and office of South Korea's president) reported that the two leaders agreed that Korean reunification "would contribute to peace and prosperity across the region."⁹⁷ If accurate, such a discussion could indicate an increased willingness by China to more openly discuss the reunification of the two Koreas.

Notably, Xi's first visit to the Korean Peninsula as president was to South Korea, not to China's ally, North Korea. Although Xi and Park have described bilateral ties as having reached an "unprecedented level of strategic understanding," most analysts do not expect that South Korea will prioritize relations with China at the expense of the U.S. alliance. Many South Koreans point to fundamental differences between Seoul's and Beijing's interests in North Korea, and increasing rivalry between Chinese and South Korean firms in recent years has accentuated the economic competition between the two countries.⁹⁸

⁹⁴ Park Geun-hye, "Trustpolitik and the Making of a New Korea," November 15, 2012.

⁹⁵ Much of South Korea's exports to China are intermediate goods that ultimately are used in products exported to the United States and Europe.

⁹⁶ Scott Snyder, "Park's Decision to Join Xi Jinping's World War II Commemoration," Council on Foreign Relations blog, *Asia Unbound*, September 2, 2015.

⁹⁷ Blue House, "Unification of Korea to Contribute to Peace: Korean, Chinese Leaders," September 3, 2015.

⁹⁸ Kim Jiyeon, Karl Friedhoff, Lee Euicheol, and Kang Chungku, "One Bed, Two Dreams: Assessing Xi Jinping's Visit to Seoul," Asan Institute Issue Brief, July 16, 2014, <http://en.asaninst.org/one-bed-two-dreams-assessing-xi-jinpings-visit-to-seoul>.

Economic Relations

South Korea and the United States are major economic partners. In 2015, two-way goods and services trade between the two countries totaled \$150 billion (**Table 1**), making South Korea the United States' seventh-largest trading partner. For some western states and U.S. sectors, the South Korean market is even more important. South Korea is far more dependent economically on the United States than the United States is on South Korea. In terms of goods trade, in 2015, the United States was South Korea's second-largest trading partner, second-largest export market, and the third-largest source of imports. In 2013, it was among South Korea's largest suppliers of foreign direct investment (FDI).

As South Korea has emerged as a major industrialized economy, and as both countries have become more integrated with the world economy, economic interdependence has become more complex and attenuated. In particular, the United States' economic importance to South Korea has declined relative to other major powers. In 2003, China for the first time displaced the United States from its perennial place as South Korea's number one trading partner. Japan and the 28-member European Union each also rival and have at times surpassed the United States as South Korea's second-largest trading partner.

South Korea's export-driven economy and subsequent competition with domestic U.S. producers in certain products has also led to some trade frictions with the United States. For example, imports of certain South Korean products—mostly steel or stainless steel items as well as polyester, chemicals, and washing machines—have been the subject of U.S. antidumping and countervailing duty investigations. As of January 14, 2016, for instance, antidumping duties were being collected on 15 South Korean imports, and countervailing duties were being assessed on 3 South Korean products.⁹⁹

The KORUS FTA

The George W. Bush and Roh Moo-hyun Administrations initiated the KORUS FTA negotiations in 2006 and signed the agreement in June 2007.¹⁰⁰ In October 2011, the House and Senate passed H.R. 3080, the United States-Korea Free Trade Agreement Implementation Act, which was subsequently signed by President Obama.¹⁰¹ In March 2012, the U.S.-South Korea FTA entered into force.

Upon the date of implementation of the KORUS FTA, 82% of U.S. tariff lines and 80% of South Korean tariff lines were tariff free in U.S.-South Korean trade, whereas prior to the KORUS FTA, 38% of U.S. tariff lines and 13% of South Korean tariff lines were duty free. By the 10th year of the agreement, the figures are to rise to an estimated 99% and 98%, respectively, with tariff elimination occurring in stages and the most sensitive products having the longest phase-out periods. Non-tariff barriers in goods trade and barriers in services trade and foreign investment are to be reduced or eliminated under the KORUS FTA.

The KORUS FTA has been in force for four years as of March 15, 2016. It is still early to ascertain its overall impact on U.S.-South Korean bilateral trade with some provisions of the agreement yet to take effect and tariffs on certain products continuing to phase out. **Table 1** below

⁹⁹ U.S. International Trade Commission (USITC), http://www.usitc.gov/trade_remedy/documents/orders.xls.

¹⁰⁰ For more on the KORUS FTA, see CRS Report RL34330, *The U.S.-South Korea Free Trade Agreement (KORUS FTA): Provisions and Implementation*, coordinated by (name redacted).

¹⁰¹ The House vote was 278-151. In the Senate, the vote was 83-15.

presents U.S.-South Korea trade data for selected years. A number of factors influence overall trade flows, including fluctuations in the business cycle, exchange rates, and the level of aggregate demand, making it difficult to directly assess how KORUS has impacted U.S. trade with South Korea. While the United States has significantly expanded its services exports and nearly tripled vehicle exports (albeit from a low base) to South Korea since implementation of the FTA, overall U.S. imports from South Korea have risen faster than exports, causing a rise in the U.S. trade deficit with South Korea. In dollar terms, South Korea’s worldwide imports fell in 2015, including from Japan and the United States, also contributing to the increased U.S. trade deficit with South Korea, and highlighting that a variety of factors impact trade flows.

Table I. Annual U.S.-South Korea Trade, Selected Years
(billions of U.S. dollars)

Year	U.S. Exports		U.S. Imports		Trade Balance		Total Trade	
	Goods	Services	Goods	Services	Goods	Services	Goods	Services
2005	28.6	9.4	44.2	6.9	-15.6	2.5	72.9	16.3
2010	39.8	15.5	49.8	9.3	-10.0	6.1	89.5	24.8
2011	45.2	16.7	57.6	9.7	-12.4	6.9	102.8	26.4
2012*	44.4	18.2	59.6	10.6	-15.2	7.5	103.9	28.8
2013	43.5	21.0	63.0	10.8	-19.5	10.2	106.5	31.8
2014	46.1	20.7	69.8	10.4	-23.7	10.2	116.0	31.1
2015	44.4	22.4	72.5	11.1	-28.1	11.3	116.9	33.5
Major U.S. Exports	Goods: Semiconductors and semiconductor manufacturing equipment; civilian aircraft; medical equipment; chemicals; motor vehicles and parts; plastics; corn and wheat; and beef and pork.				Services: South Korean educational, personal, and business travel to the United States; charges for the use of intellectual property; financial and other business services; transport services.			
Major U.S. Imports	Goods: Motor vehicles and parts; cell phones; computers, tablets, and their components; iron and steel and products; jet fuel and motor oil; plastics; and tires.				Services: Transport services; business and personal travel.			

Source: U.S. Census Bureau and Bureau of Economic Analysis (BEA), FT-900, March 4, 2016.

Notes: Trade data reported on a balance of payments basis.

a. The KORUS FTA went into effect on March 15, 2012.

South Korea-U.S. Interaction over the TPP

South Korea in fall 2013 signaled its “interest” in joining the Trans-Pacific Partnership (TPP) negotiations, a move that the Obama Administration welcomed.¹⁰² The next formal step for South Korea to enter the TPP would be for the South Korean government to formally announce it is seeking to participate. Negotiations among the current 12 TPP countries have concluded and presumably South Korea will not be able to join the TPP until after the agreement is ratified by the current parties. The accession procedures provided in the TPP state that all TPP parties would have to agree to any new members and the terms of their accession, though it is not entirely clear what that specific process would be. The accession process used for the World Trade Organization (WTO)—countries agree to the established rules of the agreement and then negotiate market access commitments (tariffs and quotas)—may serve as a template. Regardless of how the negotiations for South Korea’s potential entry into the TPP might take place, domestic ratification procedures would be required by all TPP countries for the accession of any new members. For the United States, that would mean the introduction and passage of implementing legislation by Congress.

However, U.S. government officials, including the President, have suggested that South Korea’s willingness and ability to resolve ongoing issues with implementation of the KORUS FTA may affect its potential participation in the TPP, although officials note progress has been made.¹⁰³ Most recently, Senate Finance Committee Chairman Orrin Hatch sent a letter to the South Korean Ambassador reiterating the need to address ongoing implementation issues.¹⁰⁴ Concerns include South Korea’s regulatory process for allowing financial services companies to transfer data in and out of the country as required by the KORUS FTA, as well as country of origin verifications by the South Korea’s customs service. Senator Hatch also requested South Korean action to improve transparency and predictability of pricing and reimbursements for pharmaceuticals and medical devices, and fully implement commitments regarding legal services and U.S. firms’ abilities to invest in and operate with South Korean law firms.

For South Korea, entry into TPP would align with President Park’s policies to revive the Korean economy—a top priority for her government. It would continue the country’s strategy of entering into FTAs in order to make South Korea a “linchpin” of accelerated economic integration in the region.¹⁰⁵ Bilateral FTAs with Australia and China entered into force in late 2014 and 2015, respectively. South Korea also continues to participate in the Regional Comprehensive Economic Partnership (RCEP) trade negotiations that include most East and Southeast Asian countries, including China, India, Australia, and New Zealand, but not the United States.

Congressional approval of implementing legislation would be required, if the TPP agreement is to apply to the United States. Congress has an ongoing formal and informal role in the TPP negotiations, including through setting U.S. trade negotiating objectives and ongoing consultation mechanisms as part of trade promotion authority (TPA), which Congress passed in June 2015 (P.L. 114-26). Through TPA, Congress grants expedited legislative consideration to trade agreements negotiated by the President that advance U.S. trade negotiating objectives and meet specific notification and consultation requirements.¹⁰⁶

South Korea’s Economic Performance

International trade (counting both imports and exports) amounts to more than 100% of South Korea’s GDP, making the country particularly susceptible to fluctuations in the global economy. This was evident during the global financial crisis that began in late 2008. South Korea’s real GDP growth declined to 0.7% in 2009 as the world economy dipped into deep recession. Growth

¹⁰² The TPP negotiating parties are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. For more on the proposed TPP, see CRS Report R42694, *The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress*, coordinated by (name redacted) .

¹⁰³ White House, “Remarks by President Obama at Business Roundtable,” press release, April 26, 2014. See also United States Trade Representative, “KORUS FTA: Year Three in Deepening Market Integration. Remarks by Assistant U.S. Trade Representative for Japan, Korea, and APEC Affairs Bruce Hirsh at the Fullerton KORUS Event,” March 12, 2015; “Hirsh Hits Positive Note on Korea TPP Candidacy,” *Inside U.S. Trade*, March 20, 2015.

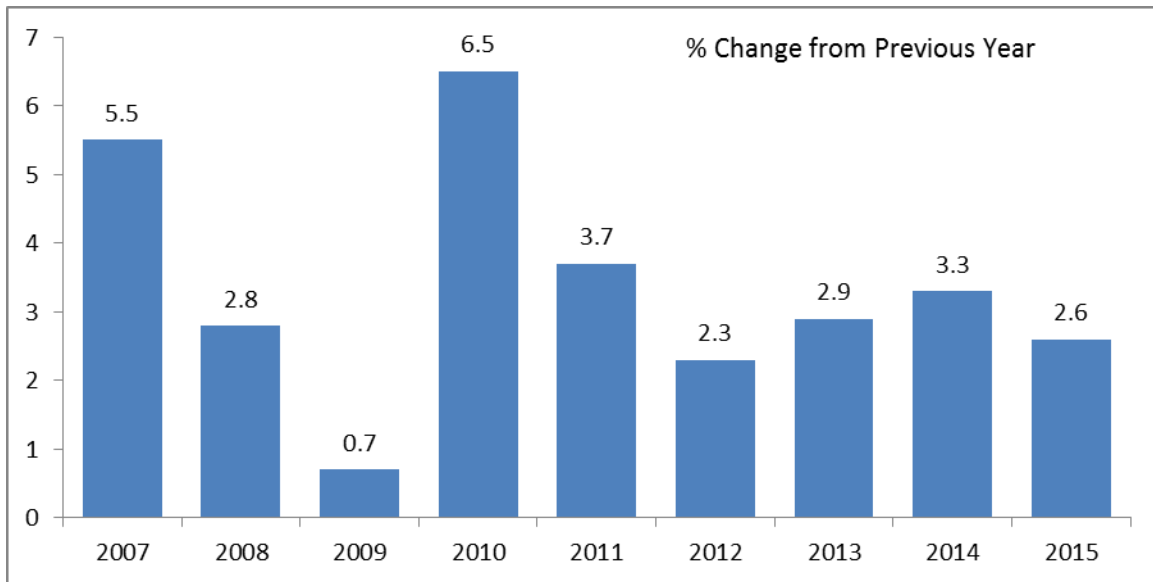
¹⁰⁴ Letter from Honorable Orrin G. Hatch, Chairman U.S. Senate Committee on Finance, to Honorable Ahn Ho-Young, Ambassador to the United States of the Republic of Korea, March 2, 2016.

¹⁰⁵ Ministry of Trade, Industry, and Energy Press Release 436, “Korea Outlines New Trade Policy Direction,” June 25, 2013.

¹⁰⁶ For more on TPA, see CRS Report RL33743, *Trade Promotion Authority (TPA) and the Role of Congress in Trade Policy*, by (name redacted) .

recovered to 6.5% in 2010, following the government's large fiscal stimulus and record-low interest rates, and has hovered around 3% since. (See **Figure 4.**) However, South Korea remains vulnerable to a slowdown in its major export markets: China, the United States, the European Union, and Japan. China's slowing economic growth since early 2015 has been of particular concern.¹⁰⁷ To stimulate growth, the Park government in July 2014 announced a \$40 billion stimulus package, equivalent to roughly 3% the size of the South Korean economy. In March 2015, the Bank of Korea cut South Korea's base interest rate to a record-low 1.75%. Three months later, the Bank cut the rate again, to 1.5%, citing declining exports and the contractionary effects of the MERS outbreak on South Korea's domestic consumption.¹⁰⁸

Figure 4. South Korea's Real GDP Growth, 2007-2015



Source: Bank of Korea.

South Korea's post-2008 crisis average growth of around 3% is 2 percentage points lower than its 5% average during the decade leading up to the crisis. This lower growth has become a major policy concern for South Korea, especially given the country's rapid economic success over the past several decades. Many economists argue that the South Korean economy would benefit from a number of structural reforms, such as attempts to spur the productivity of the services sector, which lags behind the manufacturing dynamism in the Korean economy.¹⁰⁹ Another item on the potential reform agenda is the removal of labor market rigidities, which have created an incentive for South Korean companies to hire easily fired temporary workers rather than highly protected full-time employees with benefits packages. The Park government has attempted to address some of these issues through its reform initiatives to varying effect, but disagreements between the South Korean government, industry, and union leaders over the nature of labor reforms has stalled the process.¹¹⁰

¹⁰⁷ "South Korea Exports Plunge 14.7%," *Financial Times*, August 31, 2015.

¹⁰⁸ Bank of Korea, "Monetary Policy Decision," June 11, 2015.

¹⁰⁹ Lee Jong-Wha, "Starting South Korea's New Growth Engines," *Project Syndicate*, January 26, 2015.

¹¹⁰ "South Korea Impasse Delays Labour Market Shake-Up," *Financial Times*, February 24, 2016.

In addition, complaints in South Korea have risen in recent years that rich individuals and large conglomerates (called *chaebol*)—which continue to dominate the economy—have benefitted disproportionately from the country’s growth since the 2008-2009 slowdown. Such concerns also relate to unemployment, particularly among South Korea’s youth, as the *chaebol* employ a small share of South Korea’s population despite producing an outsized share of the country’s GDP.¹¹¹ The 2012 presidential election was largely fought over the issues of governance (in the wake of a number of corruption scandals), social welfare, and rising income inequality. Leading figures in both parties, including President Park, have proposed ways to expand South Korea’s social safety net. As mentioned in the politics section below, lower-than-expected growth in 2013 and 2014 contributed to Park’s scaling back her plans. South Korea has one of the lowest rates of social welfare spending in the industrialized world, a problem exacerbated by the already high levels of indebtedness of the average South Korean household. The rapid aging of the South Korean population is expected to create additional financial pressures on government expenditures in the future.

Currency Issues

Given its dependence on international trade, fluctuations in currency valuations can have significant impacts on the South Korean economy. The *won*’s depreciation during the 2008-2009 global financial crisis, when it fell by nearly a third to around 1,500 *won* per dollar, helped to stimulate South Korea’s economic recovery by making its exports cheaper relative to many other currencies, particularly the Japanese *yen*. A primary concern in recent years, however, has been the devaluation of the Japanese *yen*. From mid-2012 to mid-2015 the Japanese *yen* depreciated against the dollar and the *won* by roughly 40%. The *yen*’s devaluation has in part been caused by expansionary monetary policies in Japan, as part of Prime Minister Abe’s focus on stimulating the Japanese economy. The *yen*’s fall has boosted Japanese exports and proven politically unpopular with its trade partners, including the United States and South Korea. President Park criticized the *yen*’s fall at the November 2014 summit of G-20 leaders.¹¹² From January to mid-March 2016, the *won* depreciated somewhat against both the U.S. dollar and the *yen*, which are considered safe haven currencies and tend to appreciate in times of global economic uncertainty.

The United States government has raised concerns over South Korea’s exchange rate policies in the past.¹¹³ The October 2015 U.S. Treasury report to Congress on exchange rates states that “a number of factors continue to point to an undervalued *won*.”¹¹⁴ The report suggests that while South Korea has intervened in foreign exchange markets to limit both the *won*’s depreciation and appreciation, since 2012 the government’s actions have largely put downward pressure on the *won*. It also urges the South Korean government to be more transparent in its foreign exchange operations—South Korea does not publicly report its interventions in foreign exchange markets. In their October 2015 joint fact sheet, the United States and South Korea agreed to employ

¹¹¹ “South Korea’s Chaebol Problem,” *Globe and Mail*, April 24, 2015.

¹¹² Kim Seon-gul, “Park Criticizes Weakening Yen,” *mk Business News*, November 18, 2014.

¹¹³ For more information, see CRS Report R43242, *Current Debates over Exchange Rates: Overview and Issues for Congress*, by (name redacted).

¹¹⁴ U.S. Department of the Treasury, *Report to Congress on International Economic and Exchange Rate Policies*, October 19, 2015. The U.S. government also has raised concerns about Japan’s exchange rate policies. Unlike South Korea, however, Japan has not actively intervened in foreign exchange markets since 2011, and despite the large fall in the *yen*’s value against the dollar, has received less criticism from the U.S. government than South Korea for its recent exchange rate policies.

“enhanced dialogue” to “promote mutual understanding” of each other’s monetary and foreign exchange policies.¹¹⁵

South Korea Joins the AIIB

In March 2015, South Korea announced it was applying to join the Asian Infrastructure Investment Bank (AIIB). The AIIB is a new China-led multilateral development bank consisting of over 50 countries.¹¹⁶ This move, which also was taken by a number of other U.S. allies such as the United Kingdom and Australia, was reportedly done over the objections of the Obama Administration, which opted not to join.¹¹⁷ The AIIB has generated controversy. Some analysts say it will help Asian countries meet their infrastructure investment needs. However, some analysts and policymakers also have raised concerns about the transparency and governance of China-funded development projects and see the AIIB proposal potentially undermining decades of efforts by the United States and others to improve governance, environmental, social, and procurement standards at the multilateral development banks.

Nuclear Energy and Non-Proliferation Cooperation

Bilateral Nuclear Energy Cooperation

The United States and South Korea have cooperated in the peaceful use of nuclear energy for over 50 years.¹¹⁸ This cooperation includes commercial projects as well as research and development work on safety, safeguards, advanced nuclear reactors, and fuel cycle technologies. On June 15, 2015, the United States and the Republic of Korea signed a renewal of their civilian nuclear cooperation agreement, known as a “123 agreement.”¹¹⁹ The agreement provides the legal foundation for nuclear trade between the countries; it provides the legal foundation for export licensing.¹²⁰ The new agreement’s duration is 20 years, after which it automatically will renew for an additional five-year period unless either or both parties choose to withdraw. The two governments initialed the text of the agreement in April 2015.¹²¹ An agreement did not require an affirmative vote of approval from Congress. It entered into force on November 25, 2015, after a mandatory congressional review period. During her October 2015 visit to Washington, President Park described the civilian nuclear cooperation agreement as one of the three “major institutional

¹¹⁵ White House, “Joint Fact Sheet: The United States-Republic of Korea Alliance: Shared Values, New Frontiers,” October 16, 2015.

¹¹⁶ For more on the AIIB, see CRS In Focus IF10154, *Asian Infrastructure Investment Bank*, by (name redacted).

¹¹⁷ “The Asian Infrastructure Investment Bank,” *Economist*, March 17, 2015.

¹¹⁸ The original agreement for civilian nuclear cooperation was concluded in 1956, and amendments were made in 1958, 1965, 1972, and 1974. Full text of the 1974 agreement is available at http://nnsa.energy.gov/sites/default/files/nnsa/inlinefiles/Korea_South_123.pdf. See also CRS Report R41032, *U.S. and South Korean Cooperation in the World Nuclear Energy Market: Major Policy Considerations*, by (name redacted)

¹¹⁹ The agreement may be found at <http://www.gpo.gov/fdsys/pkg/CDOC-114hdoc43/pdf/CDOC-114hdoc43.pdf>. “123” refers to Section 123 of the Atomic Energy Act (as amended).

¹²⁰ Currently, such cooperation is proceeding under an April 2013 deal that extended the existing agreement, which was due to expire, for two years. Legislation to authorize the two-year extension was passed unanimously by both the House and Senate and signed into law by President Obama on February 12, 2014 (P.L. 113-81).

¹²¹ “China, S.Korea Nuclear Pacts Advance,” *Arms Control Today*, May 5, 2015.

frameworks of our alliance,” alongside the U.S.-South Korea Mutual Defense Treaty and the KORUS FTA.¹²²

A sticking point in the negotiations over the renewed agreement was how to treat fuel cycle issues. The issue was sufficiently contentious that for years it prevented the two countries from finalizing an agreement. In April 2013, they announced a short-term extension of the agreement until March 2016 to allow negotiators more time to bridge their differences. South Korea reportedly had requested that the new agreement include a provision that would give permission in advance for U.S.-obligated spent nuclear fuel to be reprocessed to make new fuel using a type of reprocessing called pyroprocessing.¹²³ The United States and South Korea are jointly researching pyroprocessing, but the technology is at the research and development stage.¹²⁴ Reprocessing of U.S.-obligated spent fuel requires approval by the United States, typically on a case-by-case basis (referred to as “programmatically consent”). In the new agreement, South Korea would be allowed to operate its Advanced Spent Fuel Conditioning Process Facility, the first stage of pyroprocessing, in which spent fuel would be converted from oxide to metal form but no fissile plutonium could be separated. The Obama Administration has preferred to conclude the U.S.-ROK joint study on this technology before making any decision to approve such activities.

On other issues, the South Korean government under President Park Geun-hye has placed priority during the negotiations on a stable fuel supply, management of nuclear waste, and future nuclear exports. According to a State Department Fact Sheet, the agreement requires “express reciprocal consent rights over any retransfers or subsequent reprocessing or enrichment of material subject to the agreement.” However, the agreement does give South Korea advance permission to ship U.S.-obligated spent fuel overseas for reprocessing into mixed-oxide fuel. There are no current plans to do so, but South Korea may consider this option in developing a strategy for managing its growing spent fuel stocks. The agreement allows for enrichment up to 20% of fissile uranium-235 in South Korea, after consultation and further written agreement by the United States. This provision was not part of the previous agreement. South Korea does not have an enrichment capability, but was seeking language in the new agreement that would open the door to that possibility. Uranium enriched at levels below 20% can be used for nuclear fuel. The agreement also includes U.S. fuel supply assurances.

The agreement also provides for a new high-level bilateral commission (HLBC) where the two sides would review cooperation under the agreement and possibly resolve future fuel cycle issues. The HLBC held its first meeting on April 14, 2016. The commission is to “serve as a senior-level forum to facilitate strategic dialogue and technical exchanges on peaceful nuclear cooperation between the two countries.” It will provide a discussion forum about “management of spent

¹²² “Her Excellency President Park Geun-hye: Statesmen’s Forum Address at the Center for Strategic and International Studies,” October 15, 2015.

¹²³ Daniel Horner, “South Korea, U.S. at Odds over Nuclear Pact,” *Arms Control Today*, September 2012, http://armscontrol.org/act/2012_09/Sout-Korea-US-at-Odds-Over-Nuclear-Pact. Under the 1978 Nuclear Nonproliferation Act, consent rights apply to material originating in the United States or material that has been fabricated into fuel or irradiated in a reactor with U.S. technology. The majority of South Korea’s spent fuel would need U.S. consent before it could be reprocessed.

¹²⁴ Reprocessing of spent nuclear fuel can be used to make new reactor fuel or to separate out plutonium in the spent fuel for weapons use. Pyroprocessing, or electro-refining, is a non-aqueous method of recycling spent fuel into new fuel for fast reactors. It only partially separates plutonium and uranium from spent fuel. There is debate over the proliferation implications of this technology.

nuclear fuel, the promotion of nuclear exports and export control cooperation, assurances of nuclear fuel supply, and nuclear security.”¹²⁵

Both countries have called the new agreement a success. South Korean Foreign Minister Yun Byung-Se said that the agreement was “future-oriented” and would facilitate “modern and mutually beneficial cooperation.” He called the agreement one of the central pillars of the alliance after the Mutual Defense Treaty and the Free Trade Agreement. U.S. Secretary of Energy Ernest Moniz said that the agreement would solidify the alliance and would “enable expanded cooperation between our respective nuclear industries, and reaffirm our two governments’ shared commitment to nonproliferation.” Others may question whether the agreement’s flexibility on fuel cycle issues would delay rather than resolve this controversy.

For several decades, the United States has pursued a policy of limiting the spread of enrichment and reprocessing technology to new states as part of its nonproliferation policies.¹²⁶ This is because enrichment and reprocessing can create new fuel or material for nuclear weapons. Advance permission to reprocess rarely has been included in U.S. nuclear cooperation agreements, and to date has only been granted to countries that already had the technology (such as to India, Japan, and Western Europe). However, the issue has become a sensitive one in the U.S.-ROK relationship. Many South Korean officials and politicians see the United States’ rules as limiting South Korea’s national sovereignty by requiring U.S. permission for civilian nuclear activities. This creates a dilemma for U.S. policy as the Obama Administration has been a strong advocate of limiting the spread of fuel cycle facilities to new states, and would prefer multilateral solutions to spent fuel disposal.

Spent fuel disposal is a key policy issue for South Korean officials, and some see pyroprocessing as a potential solution. While South Korean reactor-site spent fuel pools are filling up, the construction of new spent fuel storage facilities is highly unpopular with the public. Some officials argue that in order to secure public approval for an interim storage site, the government needs to provide a long-term plan for the spent fuel. However, some experts point out that by-products of spent fuel reprocessing would still require long-term storage and disposal options. Other proponents of pyroprocessing see it as a way to advance energy independence for South Korea.

For decades, the United States and South Korea have worked on joint research and development projects to address spent fuel. In the 1990s, the two countries worked intensely on research and development on a different fuel recycling technology (the “DUPIC” process), but this technology ultimately was not commercialized. In the past 10 years, joint research has centered on pyroprocessing. The Korean Atomic Energy Research Institute (KAERI) is conducting a laboratory-scale research program on reprocessing spent fuel with an advanced pyroprocessing technique. U.S.-South Korean bilateral research on pyroprocessing began in 2002 under the Department of Energy’s International Nuclear Energy Research Initiative (I-NERI). R&D work on pyroprocessing was temporarily halted by the United States in 2008, due to the proliferation sensitivity of the technology. In an attempt to find common ground and continue bilateral research, in October 2010 the United States and South Korea began a 10-year Joint Fuel Cycle Study on the economics, technical feasibility, and nonproliferation implications of spent fuel disposition, including pyroprocessing. In July 2013, a new agreement on R&D technology

¹²⁵ “Statement on Launch of the U.S.-Republic of Korea High Level Bilateral Commission,” <http://www.nss2016.org/news/2016/3/4/statement-on-launch-of-the-us-republic-of-korea-high-level-bilateral-commission>

¹²⁶ For more, see CRS Report RS22937, *Nuclear Cooperation with Other Countries: A Primer*, by (name redacted) and (name redacted)

transfer for joint pyroprocessing work in the United States took effect as part of the Joint Fuel Cycle Study.¹²⁷

While some in the Korean nuclear research community have argued for development of pyroprocessing technology, the level of consensus over the pyroprocessing option among Korean government agencies, private sector/electric utilities, and the public remains uncertain. Generally, there appears to be support in South Korea for research and development, but some analysts are concerned about the economic and technical viability of commercializing the technology. While the R&D phase would be paid for by the government, the private sector would bear the costs of commercialization. At a political level, pyroprocessing may have more popularity as a symbol of South Korean technical advancement and the possibility of energy independence. However, other public voices are concerned about safety issues related to nuclear energy as a whole. Others see fuel cycle capabilities as part of a long-term nuclear reactor export strategy, envisioning that South Korea could have the independent ability to provide fuel and take back waste from new nuclear power countries in order to increase its competitive edge when seeking power plant export contracts.

Some analysts critical of the development of pyroprocessing in South Korea point to the 1992 Joint Declaration, in which North and South Korea agreed they would not “possess nuclear reprocessing and uranium enrichment facilities” and are concerned about the impact of South Korea’s pyroprocessing on negotiations with the North. Others emphasize that granting permission for pyroprocessing in South Korea would contradict U.S. nonproliferation policy to halt the spread of sensitive technologies to new states. Some observers, particularly in South Korea, point out that the United States has given India and Japan consent to reprocess, and argue that they should be allowed to develop this technology under safeguards.

Since the technology has not been commercialized anywhere in the world, the United States and the International Atomic Energy Agency (IAEA) are working with the South Korean government to develop appropriate IAEA safeguards should the technology be developed further. Whether pyroprocessing technology can be sufficiently monitored to detect diversion to a weapons program is a key aspect of the Joint Study, which is expected to be concluded in 2020.

South Korean Nonproliferation Policy

South Korea has been a consistent and vocal supporter of strengthening the global nonproliferation regime, which is a set of treaties, voluntary export control arrangements, and other policy coordination mechanisms that work to prevent the spread of nuclear, biological, and chemical weapons and their delivery systems. South Korea destroyed all of its chemical weapons stocks by 2008, under the Chemical Weapons Convention.¹²⁸ South Korea is a member of the Nuclear Suppliers’ Group (NSG), which controls sensitive nuclear technology trade, and adheres to all international nonproliferation treaties and export control regimes. South Korea also participates in the G-8 Global Partnership, and other U.S.-led initiatives—the Proliferation Security Initiative, the International Framework for Nuclear Energy Cooperation (formerly GNEP), and the Global Initiative to Combat Nuclear Terrorism. South Korea has contributed funds to the United States’ nuclear smuggling prevention effort, run by the Department of Energy,

¹²⁷ *Federal Register*, Vol. 708, No. 105, May 31, 2013.

¹²⁸ South Korea has not recognized this stockpile publicly, and chose to destroy the weapons under the CWC confidentiality provisions. “South Korea Profile,” *Nuclear Threat Initiative*, <http://www.nti.org/country-profiles/south-korea/>.

and contributed to the Organization for the Prohibition of Chemical Weapons (OPCW) Trust Fund to support the destruction of Syrian chemical weapons.

South Korea is a member of the Non-Proliferation Treaty (NPT) which requires countries to conclude a safeguards agreement with the International Atomic Energy Agency (IAEA). An Additional Protocol (AP) to South Korea's safeguards agreement entered into force as of February 2004. The AP gives the IAEA increased monitoring authority over the peaceful use of nuclear technology. In the process of preparing a more complete declaration of nuclear activities in the country, the Korean Atomic Energy Research Institute (KAERI) disclosed previously undeclared experiments in its research laboratories on uranium enrichment in 2000, and on plutonium extraction in 1982. The IAEA Director General reported on these undeclared activities to the Board of Governors in September 2004, but the Board did not report them to the U.N. Security Council. In response, the Korean government reconfirmed its cooperation with the IAEA and commitment to the peaceful use of nuclear energy, and reorganized the oversight of activities at KAERI. The experiments reminded the international community of South Korea's plans for a plutonium-based nuclear weapons program in the early 1970s under President Park Chung Hee, the father of the current President Park. At that time, deals to acquire reprocessing and other facilities were canceled under intense U.S. pressure, and Park Chung Hee eventually abandoned weapons plans in exchange for U.S. security assurances. The original motivations for obtaining fuel cycle facilities as well as the undeclared experiments continue to cast a shadow over South Korea's long-held pursuit of the full fuel cycle. As a result, since 2004, South Korea has aimed to improve transparency of its nuclear programs and participate fully in the global nonproliferation regime. In addition, the 1992 Joint Declaration between North and South Korea says that the countries "shall not possess nuclear reprocessing and uranium enrichment facilities." Since North Korea has openly pursued both of these technologies, an intense debate is underway over whether South Korea should still be bound by those commitments. Some analysts are concerned that a denuclearization agreement with North Korea could be jeopardized if South Korea does not uphold the 1992 agreement.

South Korea hosted the 2012 Nuclear Security Summit, a forum initiated by President Obama shortly after his inauguration. The South Korean government agreed to host the summit because it fit into the "Global Korea" concept of international leadership and summitry; it was a chance for the South Korean nuclear industry to showcase its accomplishments; and the South Korean government was able to emphasize South Korea's role as a responsible actor in the nuclear field, in stark contrast with North Korea. It was also seen as an important symbol of trust between the U.S. and South Korean Presidents. South Korea will continue its leadership in the nuclear security field by chairing the International Atomic Energy Agency's International Conference on Nuclear Security in Vienna in December 2016. South Korea is also cooperating with regional partners to establish a Center for Excellence in Nuclear Security.

South Korean Politics

South Korean politics continue to be dominated by Park Geun-hye (born in 1952) and her conservative Saenuri ("New Frontier") Party (NFP), which controls the legislature. Park was elected in December 2012, becoming not only South Korea's first woman president, but also the first presidential candidate to receive more than half of the vote (she captured 51.6%) since South Korea ended nearly three decades of authoritarian rule in 1988. She is to serve until February 2018. By law, South Korean presidents serve a single five-year term. Park is the daughter of the late Park Chung Hee, who ruled South Korea from the time he seized power in a 1961 military coup until his assassination in 1979.

According to the Asan Institute’s daily polling service, Park’s public approval ratings were in the 60%-70% range for much of 2013, in part due to positive assessments of her handling of foreign affairs, particularly inter-Korean relations. However, sentiments toward Park’s government dropped sharply following the April 2014 sinking of the *Sewol* ferry in the waters off the country’s western coast. The deaths of nearly 300 passengers—mostly high school students—for months cast a pall over South Korea and over the Park government. The tragedy’s political impact has been likened to the political effects of the 2005 Hurricane Katrina disaster in the United States.¹²⁹ The Park government has been criticized for rescuers’ allegedly slow response to distress calls, and the sinking has prompted South Koreans to ask questions about how well government agencies have enforced safety regulations, which the *Sewol* was found to have violated, about the relationship between government regulators and the industries they oversee, as well as whether companies put profits ahead of safety. Several of the *Sewol*’s ownership group and its crew have been convicted of gross negligence, including the captain, who fled the ship without attempting to help the passengers.

Park also has been weakened by perceptions that her government has done little to follow through on her campaign pledges to overcome South Korea’s economic difficulties and strengthen its social safety net. Due to personal or political scandals, a series of Park’s appointees—including three successive appointees to be prime minister—withdrawed their names before taking office.¹³⁰ These developments have raised questions about her government’s (and her) competence and willingness to reach outside her inner circle. Most recently, in spring 2015, a new scandal arose for Park’s government when a South Korean businessman, who later committed suicide, stated that he had provided bribes to several former close aides to Park. The then-sitting prime minister was implicated in the bribery scandal, and he subsequently resigned after only two months in office. Additionally, the government has struggled against criticism that it mishandled the mounting evidence that the country’s intelligence service tried to influence the 2012 presidential election in Park’s favor (though no evidence has surfaced that she knew of the matter).

A Powerful Executive Branch

Nominally, power in South Korea is shared by the president and the 300-member unicameral National Assembly. Of these, 246 members represent single-member constituencies. The remaining 54 are selected on the basis of proportional voting. National Assembly members are elected to four-year terms. The president and the central bureaucracy continue to be the dominant forces in South Korean policymaking, as formal and informal limitations prevent the National Assembly from initiating major pieces of legislation.

Political Parties

Presently, there are two major political parties in South Korea: President Park’s conservative Saenuri Party (which has been translated as “New Frontier Party” or NFP) and the opposition, center-left Minjoo (Democratic) Party.¹³¹ The NFP and its predecessor party have controlled the Blue House (the residence and office of South Korea’s president) since 2008 and controlled the

¹²⁹ Chico Harlan, “After Ferry Disaster, a Katrina-Like Reckoning in South Korea,” *Washington Post*, April 27, 2014.

¹³⁰ In South Korea’s political system, the president appoints the prime minister, who serves as head of the president’s cabinet.

¹³¹ The Saenuri Party formerly was known as the Grand National Party (GNP). The New Politics Alliance for Democracy formerly was known as the Democratic Party.

National Assembly from 2008-2016. U.S. ties have historically been much stronger with South Korea's conservative parties.

South Korea's progressive political parties controlled the Blue House for 10 years, from 1998 to 2008. For a four-year period, from 2004 to 2008, a progressive party was the largest political group in the National Assembly and held a majority for part of that period. After failing to retake the Blue House or National Assembly in 2012 elections, the progressive camp faced several more years without significant tools of power and influence within the South Korean polity. Since 2008, the party has splintered and merged with other parties on multiple occasions, changing its name three times in the process. In the past, the Minjoo Party's predecessor parties have advocated positions that, if adopted, could pose challenges for the Obama Administration's Korea policy, including calling for the renegotiation of some provisions of the KORUS FTA, and adopting a more conciliatory approach to North Korea.

A Short History of South Korean Presidential Changes

For most of the first four decades after the country was founded in 1948, South Korea was ruled by authoritarian governments. The most important of these was led by President Park's father, Park Chung Hee, a general who seized power in a military coup in 1961 and ruled until he was murdered by his intelligence chief in 1979. The elder Park's legacy is a controversial one. On the one hand, he orchestrated the industrialization of South Korea that transformed the country from one of the world's poorest. On the other hand, he ruled with an iron hand and brutally dealt with real and perceived opponents, be they opposition politicians, labor activists, or civil society leaders. For instance, in the early 1970s South Korean government agents twice tried to kill then-opposition leader Kim Dae Jung, who in the second attempt was saved only by U.S. intervention. The divisions that opened under Park continue to be felt today. Conservative South Koreans tend to emphasize his economic achievements, while progressives focus on his human rights abuses.

Ever since the mid-1980s, when widespread anti-government protests forced the country's military rulers to enact sweeping democratic reforms, democratic institutions and traditions have deepened in South Korea. In 1997, long-time dissident Kim Dae Jung was elected to the presidency, the first time an opposition party had prevailed in a South Korean presidential election. In December 2002, Kim was succeeded by a member of his left-of-center party: Roh Moo-hyun, a self-educated former human rights lawyer who emerged from relative obscurity to defeat establishment candidates in both the primary and general elections. Roh campaigned on a platform of reform—reform of Korean politics, economic policymaking, and U.S.-ROK relations. He was elected in part because of his embrace of massive anti-American protests that ensued after a U.S. military vehicle killed two Korean schoolgirls in 2002. Like Kim Dae Jung, Roh pursued a "sunshine policy" of largely unconditional engagement with North Korea that clashed with the harder policy line pursued by the Bush Administration until late 2006. Roh also alarmed U.S. policymakers by speaking of a desire that South Korea should play a "balancing" role among China, the United States, and Japan in Northeast Asia. Despite this, under Roh's tenure, South Korea deployed over 3,000 non-combat troops to Iraq—the third-largest contingent in the international coalition—and the two sides initiated and signed the KORUS FTA.

In the December 2007 election, former Seoul mayor Lee Myung-bak's victory restored conservatives to the presidency. Among other items, Lee was known for ushering in an unprecedented level of cooperation with the United States over North Korea and for steering South Korea through the worst of the 2008-2009 global financial crisis. Under the slogan "Global Korea," he also pursued a policy of expanding South Korea's participation in and leadership of various global issues. During the final two years of his presidency, however, Lee's public approval ratings fell to the 25%-35% level, driven down by—among other factors—a series of scandals surrounding some of his associates and family members, and by an increasing concern among more Koreans about widening income disparities between the wealthy and the rest of society.

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