

U.S.-South Korea Relations

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Summary

Overview

South Korea (officially the Republic of Korea, or ROK) is one of the United States' most important strategic and economic partners in Asia. Congressional interest in South Korea is driven by both security and trade interests. Since the early 1950s, the U.S.-ROK Mutual Defense Treaty commits the United States to help South Korea defend itself. Approximately 28,500 U.S. troops are based in the ROK, which is included under the U.S. "nuclear umbrella." Washington and Seoul cooperate in addressing the challenges posed by North Korea. The two countries' economies 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. Between 2009 and the end of 2016, relations between the two countries arguably reached their most robust state in decades. Political changes in both countries in 2017, however, have generated uncertainty about the state of the relationship.

Coordination of North Korea Policy

Dealing with North Korea is the dominant strategic concern of the relationship. The Trump Administration appears to have raised North Korea's nuclear and missile programs to a top U.S. foreign policy priority, and has adopted an approach of increasing pressure on Pyongyang in the hopes of convincing the North Korean regime "to de-escalate and return to the path of dialogue." The Administration has emphasized pushing China, which accounts for over 80% of North Korea's trade, to do more to pressure North Korea.

ROK President Moon Jae-in, elected in May 2017, has said he supports the continuation of sanctions against North Korea if it is aimed at bringing North Korea to the negotiating table. He also argued, however, against what many critics called the Park-Obama "sanctions-only" approach toward North Korea. President Moon has called for pressure on the nuclear issue to be accompanied by reopening inter-Korean cooperation projects and dialogues if there is "a shift in North Korea's attitude or under the right circumstances." It remains unclear whether these moves could clash with the Trump Administration's call to apply "maximum pressure" on North Korea.

The U.S.-ROK Alliance

Since 2009, the United States and South Korea have accelerated steps to reform their 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 contingency planning, for instance by adopting policies to respond more swiftly and forcefully to attacks and by deploying the Terminal High Altitude Area Defense (THAAD) system in South Korea. China has protested the THAAD deployment and has appeared to have taken some retaliatory measures against South Korean companies and economic interests. President Moon, who in the past criticized the deployment, has said that he will review THAAD by weighing the "gains and losses" to South Korea. According to U.S. military officials, South Korea pays roughly half of the nonpersonnel costs of stationing U.S. troops in South Korea. Many analysts think that the Trump Administration will demand that South Korea increase its cost-sharing payments.

Bilateral Economic Relations

The United States and South Korea are among each other's top trading partners and the bilateral economic relationship has grown in terms of both trade and investment since the KORUS FTA's entry into force in 2012. Views on KORUS FTA's economic outcomes are mixed. Most U.S. business groups highlight market access improvements and a more robust mechanism for dispute resolution, but others have raised concerns over specific implementation issues such as origin

verifications. The Trump Administration has criticized the KORUS FTA, focusing on the growth in the bilateral trade deficit since its entry into force. The Administration has stated its intent to review and renegotiate KORUS, but has not yet specified what it would seek to amend. A potential renegotiation could be informed by two ongoing investigations examining U.S. trade deficits and U.S. trade agreements, both of which include South Korea.

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This report contains two main parts: a section describing recent events and a longer background section on key elements of the U.S.-South Korea relationship. The end of the report provides a list of CRS products on South Korea and North Korea. For a map of the Korean Peninsula, see **Figure 1** below. The report identifies South Korean individuals by using their last name first. For a two-page summary of U.S.-South Korea relations, see CRS In Focus IF10165, *South Korea: Background and U.S. Relations*, by (name redacted) et al.

Major Developments in Late 2016 and Early 2017

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

Between 2009 and the end of 2016, relations between the United States and South Korea (known officially as the Republic of Korea, or ROK) arguably were at their most robust since the formation of the U.S.-ROK alliance in 1953. Cemented by strong relationships with two successive conservative governments in Seoul, U.S.-South Korea cooperation on North Korea policy was particularly close, and the two countries effectively managed the alliance in the face of a changing threat from Pyongyang. Although cooperation on North Korea appears to have continued through the middle of May, some uncertainty in U.S.-South Korea relations, attributable in part to changes resulting from the elections of Donald Trump and Moon Jae-in in 2016 and 2017, respectively, could cause strains that have been relatively dormant for years to reappear.

Core elements of the U.S.-ROK military alliance appear likely to endure. President Trump has reiterated the United States' "ironclad commitment to defend the ROK." Secretary of Defense Jim Mattis and Secretary of State Rex Tillerson repeated this phrase during their visits to South Korea in February (the first country Secretary Mattis visited after his confirmation by the Senate) and March, respectively. For his part, President Moon has called the alliance "the most important foundation for our diplomacy and national security."¹ Presidents Trump and Moon have agreed to hold a summit in the United States in June.

As discussed in the "North Korea Policy Coordination" section below, however, the Trump and Moon Administrations could alter both countries' approaches to North Korea in ways that potentially could put Washington and Seoul at odds. Additionally, many analysts think that the U.S. trade deficit with South Korea and cost-sharing for defense will play a large role in the bilateral agenda, with the Trump Administration demanding more from South Korea. Such pressure could come during negotiations over renewing the cost-sharing Special Measures Agreement (SMA) that are due to begin in 2017. During the presidential campaign, President Trump criticized South Korea's trade practices and the unbalanced nature of the security alliance with the United States. Since his inauguration, when he pledged to follow an "America first" approach, President Trump has said that all U.S. allies, including those in the Pacific, must "pay their fair share of the cost," without specifying to which countries or which costs he was specifically referring.² His Administration also has highlighted that the United States has run a deficit in trade in goods with South Korea since the Korea-U.S. Free Trade Agreement (KORUS FTA) went into effect in 2012, and has stated its intent to reexamine and potentially renegotiate

¹ Yonhap News Agency, "President Moon Jae-in's Inaugural Address," May 10, 2017; JH Ahn, "Sunshine 2.0? Moon Jae-in's New Inter-Korean Policies, in Summary," *nknews.org*, April 24, 2017; Anna Fifield, "Interview with Moon Jae-in, Set to Become South Korea's Next President," *Washington Post*, May 2, 2017.

² The White House, "Remarks by President Trump in Joint Address to Congress," February 28, 2017.

existing FTAs, which some analysts see as a sign that the United States will increase economic pressure on South Korea in the future.

South Korea at a Glance

Head of State: Moon Jae-in	Fertility Rate: 1.25 children born per woman (U.S. = 1.87)
Ruling Party: Minjoo (Democratic) Party	Life Expectancy: 82.4 years (U.S. = 79.8 yrs.; North Korea = 70.4 yrs.)
Largest Opposition Party: Liberty Korea Party (LKP)	Infant Mortality: 3 deaths/1,000 live births (U.S. = 5.8; North Korea = 22.9)
Size: Slightly larger than Indiana	
Arable Land: 15.6%	
Population: 51 million (North Korea = 25 million)	GDP (Purchasing Power Parity): ³ \$1.93 trillion; world's 14 th -largest economy (U.S. = \$17.97 trillion; North Korea = \$18.56 billion [2016 est.])
Population Growth Rate: 0.53% (U.S. = 0.81%)	GDP Per Capita (Purchasing Power Parity): \$37,900 (U.S. = \$57,300; North Korea = \$1,800 [2014 est.])
Portion of Population Younger than 25: 27% (U.S. = 32%)	

Source: CIA, *The World Factbook*, January 12, 2017.

Following Impeachment, South Korea Elects a New President

On May 9, 2017, South Korea elected the Minjoo (Democratic) Party's Moon as president. Moon captured just over 41% of the vote in what was essentially a five-person race. Turnout was over 77%, the highest since the 1990s. Domestic economic issues—particularly boosting economic growth and promoting social welfare—and political reform appear to have been the most important issues in voters' minds.⁴

The presidential election occurred approximately seven months earlier than originally scheduled. In March 2017 South Korea's Constitutional Court voted to uphold the impeachment of former President Park Geun-hye. The National Assembly had impeached Park in December 2016, on charges of "extensive and serious violations of the Constitution and the law" stemming from a corruption scandal that from October to December brought millions of South Koreans to the streets in weekly anti-Park protests, the largest in the country's history.⁵ On the eve of Park's impeachment, her approval ratings fell below 5%. Park, who was arrested in March on charges of accepting bribes, abuse of power, coercion, and leaking government secrets, was the first South Korean president to be removed from office since democratic elections were instituted in 1988. (For more on the scandal, which has implicated major South Korean companies, see the text box below.)

President Moon, who narrowly lost to Park in South Korea's 2012 presidential election, is a former human rights lawyer and former chief of staff to President Roh Moo-hyun, who was president from 2003 to 2008. Roh championed carving out greater independence from the United

³ 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.

⁴ For example, see the poll results cited in *Asan Korea Perspective*, Special Edition, May 9-10, 2017.

⁵ Choe Sang-hun, "South Korea Enters Period of Uncertainty with President's Impeachment," *New York Times*, December 9, 2016.

States and pursued a policy of largely unconditional engagement with North Korea. Moon promoted many of the same causes in the 2012 campaign, and during the 2017 campaign he championed policies that could be summarized as “South Korea in charge”; he advocates South Korea assuming a leading role in North Korea policy and has called for boosting South Korea’s “independent defense posture” by increasing military spending. However, unlike his mentor Roh Moo-hyun, Moon also has emphasized the importance of the ROK-U.S. alliance and has articulated a need for conditions to be placed on at least some of Seoul’s engagement initiatives with North Korea.⁶

The Scandal That Toppled Former President Park Geun-hye

The scandal that led to former President Park’s impeachment centered on her relationship with a longtime friend, Ms. Choi Soon-sil (pronounced “chay soon-sheel”). South Korean prosecutors have accused Park of conspiring with Choi and two of Park’s former top aides—including her former chief of staff—in criminal activities such as fraud and extortion.⁷ Among the specific charges are allegations that Park solicited tens of millions of dollars in bribes and had her staff request that some of South Korea’s leading business conglomerates make donations to or sign business contracts—collectively worth tens of millions of dollars—with nonprofits and companies tied to Choi, who allegedly received kickbacks. The National Assembly held hearings featuring the heads of several major conglomerates, who testified that they received the requests from Park and/or her aides.

Prosecutors, acting on criminal charges that are separate from the impeachment proceedings, have charged Park with directing her staff to provide scores of government documents, including some that were classified, to Choi. While in office, Park was immune from criminal prosecution. In late March, government prosecutors arrested Park on charges that included bribery and abuse of power for actions such as allegedly receiving \$38 million in bribes from Samsung. In what prosecutors say was a *quid pro quo*, her government provided crucial support to help Samsung’s acting chief, Lee Jae-yong, consummate a merger of two Samsung affiliates, thereby allowing him to consolidate his control over the entire conglomerate. Lee himself has been arrested and indicted on bribery charges. Park has admitted asking Choi for advice on speeches and has apologized for “negligence and irresponsibility” in dealing with her “longtime friend” Choi. Her lawyer has dismissed the other charges as “built on sand” and has called the prosecutor’s findings “politically biased” and “lacking in fairness.”⁸

Apart from the legal charges, Park is widely reported to have relied heavily on Choi for advice and support on many decisions and to have retaliated against government officials and media outlets that suspected Choi’s influence. As a result, many Koreans are questioning whether Choi was involved in various government decisions, including those dealing with North Korea policy. The public has been particularly outraged by media reports that the Park government intervened to help Choi and Choi’s daughter, for instance by allegedly forcing the resignations of national sports officials after the daughter received low scores in an equestrian competition.

Park is the third South Korean President to be arrested for criminal charges since the country became a democracy in 1988. In 1996, Presidents Chun Doo-hwan (1980-1988) and Roh Tae-woo (1988-1993) were convicted of charges including treason and corruption. The following year, both received presidential pardons.

North Korea Policy Coordination

Dealing with North Korea (officially known as the Democratic People’s Republic of Korea, or DPRK) is the dominant strategic element of the U.S.-South Korean relationship. From 2009 to 2016, Seoul and Washington maintained tight coordination over North Korea policy, following a joint approach—often called “strategic patience”—that emphasized pressuring the regime

⁶ Yonhap News Agency, “President Moon Jae-in’s Inaugural Address,” May 10, 2017; JH Ahn, “Sunshine 2.0? Moon Jae-in’s New Inter-Korean Policies, in Summary,” *nknews.org*, April 24, 2017; Anna Fifield, “Interview with Moon Jae-in, Set to Become South Korea’s Next President,” *Washington Post*, May 2, 2017.

⁷ Choe Sang-Hun, “South Korea Enters Period of Uncertainty with President’s Impeachment,” December 9, 2016.

⁸ Open Source Center, “South Korean President’s Website Carries Full Text of Park’s Statement Following Impeachment,” KPO2016120947510935, December 9, 2016; Stephan Haggard, “Park Unraveling IV: The Prosecutors’ Statement,” *Witness to Transformation* blog, November 22, 2016, <http://piie.com>; Choe Sang-Hun, “Prosecutor Pushes for Indictment of South Korean President in Samsung Scandal,” *New York Times*, March 6, 2017.

through expanded multilateral sanctions and muscular displays of military cooperation. Tensions may arise in future policy coordination efforts because of differing approaches by the Trump and Moon Administrations.

The Trump Administration's North Korea Policy

Shortly after coming into office, the Trump Administration initiated a review of U.S. North Korea policy. One of its outcomes has been that the Administration appears to have raised North Korea's nuclear and missile programs to a top U.S. foreign policy priority. In April 2017, the State Department, Pentagon, and Director of National Intelligence issued a statement that the United States will seek to "pressure North Korea into dismantling its nuclear, ballistic missile, and proliferation programs by tightening economic sanctions and pursuing diplomatic measures with our Allies and regional partners." The Administration has stated that it hopes that pressure will convince the North Korean regime "to de-escalate and return to the path of dialogue."⁹ Thus far, the Administration has emphasized pushing China, which accounts for over 80% of North Korea's trade, to fully implement United Nations Security Council (UNSC) sanctions and take other steps to pressure North Korea. Secretary of State Rex Tillerson has said that the Administration is seeking neither a change in nor a collapse of the governing regime of Kim Jong-un.¹⁰ The Administration has cast its approach as a departure from "strategic patience." However, many of the elements remain: expanding U.S. and international sanctions, emphasizing China's ability to pressure North Korea, and coordinating policy with U.S. allies. A key change appears to be that the Trump Administration has raised the priority level of the North Korea threat.

Since President Trump's inauguration, North Korea has conducted several ballistic missile tests, in contravention of UNSC resolutions. Also, in February, Kim Jong Nam, the older half-brother of North Korea's ruler, Kim Jong-un, was assassinated in Malaysia. Malaysian authorities have said the killing was caused by poisoning with an advanced chemical weapon, the nerve agent VX, and have accused several North Koreans of arranging for the murder. The announcement that VX was the cause of death was followed the same day by the Trump Administration's reportedly reversing its prior decision to approve visa requests for a group of North Korean officials to travel to the United States in March 2017 to hold discussions with U.S. scholars and former U.S. officials.¹¹

Some U.S. and South Korean commentators have characterized Administration officials' remarks on North Korea in March and April as inconsistent, particularly on the questions of under what conditions the United States would negotiate with North Korea and whether the United States is prepared to launch a preemptive attack against North Korea. President Trump has spoken of the chances of a "major, major [military] conflict with North Korea"—alarming many South Koreans—but his Administration also appeared ready to allow the March 2017 discussions with U.S. scholars and former U.S. officials, and the President has said that he would be "honored" to meet with North Korean leader Kim Jong-un.¹²

⁹ State Department, "Joint Statement by Secretary of State Rex Tillerson, Secretary of Defense James Mattis, Director of National Intelligence Dan Coats," April 26, 2017.

¹⁰ State Department, "Rex W. Tillerson Interview with Steve Inskeep of NPR," April 27, 2017.

¹¹ Jonathan Cheng, "Planned Back-Channel Talks Between U.S., North Korea Scuttled," *Wall Street Journal*, February 25, 2017. Chemical weapons are banned under the Chemical Weapons Convention. The DPRK is not a party to the Chemical Weapons Convention.

¹² "Highlights of Reuters interview with Trump," *reuters.com*, April 28, 2017, 7:26am; Margaret Talev and Jennifer (continued...)

The Moon Administration's North Korea Policy

There is also uncertainty over President Moon's approach to North Korea. President Moon has argued against what many critics called the Park-Obama "sanctions-only" approach toward North Korea. Early in the 2017 election campaign, he pledged to visit North Korea as president, as well as to reopen and expand the Kaesong Industrial Complex (KIC), an inter-Korean industrial park located in North Korea that former President Park shut down in 2016 to increase pressure on Pyongyang.¹³ The complex provided the North Korean government with access to a stream of hard currency, estimated to be worth over \$500 million in total when the complex was open from 2004 to 2016. Reopening the complex may violate United Nations sanctions.

If South Korea takes some of these moves, it remains unclear whether they will clash with the Trump Administration's call to apply "maximum pressure" on North Korea. Additionally, the 114th and 115th Congresses have voted to toughen and expand U.S. sanctions against Pyongyang. In early May 2017, by a vote of 419-1, the House passed H.R. 1644, the Korean Interdiction and Modernization of Sanctions Act. Among other items, the measure would expand U.S. "secondary" sanctions against companies and other entities that conduct certain types of transactions with North Korean enterprises, particularly those that are linked to the North Korean regime, military, and/or weapons of mass destruction programs. The bill awaits Senate consideration.

Later in the campaign and in the weeks initially following his election, President Moon has appeared to moderate many of his positions. He has said he supports the continuation of sanctions against North Korea if it is aimed at bringing North Korea to the negotiating table, and he has argued that therefore there is considerable overlap between his approach and that of the Trump Administration. In particular, he and his government have said that he will pursue inter-Korean dialogue and projects only following "a shift in North Korea's attitude or under the right circumstances."¹⁴

A key question is whether this conditioning will apply to all forms of inter-Korean cooperation. For instance, would it apply only to major projects such as the KIC? Or would it also apply to smaller-scale humanitarian aid programs, as well as to people-to-people exchanges? Early in her term, former President Park attempted to promote the latter type of programs. They failed to advance far, however, in large measure apparently due to North Korea's lack of cooperation. At a minimum, it appears likely that President Moon will relax the Park government's tight restrictions on private South Korean groups and citizens from traveling to North Korea and working with North Koreans.¹⁵

One constant throughout President Moon's statements, which echoes the former Roh Moo-hyun government, is a belief that South Korea should assume the leading role on Korean Peninsula matters. In April 2017, his campaign released a statement on North Korea policy that included the following passages:

Nothing is more dangerous than letting others decide our fate ... ,

(...continued)

Jacobs, "Trump Says He'd Meet with Kim Jong Un Under Right Circumstances," *Bloomberg.com*, May 1, 2017, updated 2:28pm.

¹³ JH Ahn, "Leading ROK Presidential Candidate to Visit N. Korea If Elected," *NKNews*, December 16, 2016; Daryum Ji, "Moon Pledges Major Kaesong Industrial Complex Expansion If Elected," *NKNews*, February 10, 2017.

¹⁴ "S. Korean prime minister nominee offers conditional talks with N. Korea," *Yonhap News Agency*, May 23, 2017.

¹⁵ JH Ahn, "Sunshine 2.0? Moon Jae-in's New Inter-Korean Policies, in Summary," *nknews.org*, April 24, 2017.

Instead of urging that “Pyongyang should act first,” Seoul will lead the simultaneous actions from Pyongyang, Washington and other parties concerned.

We will no longer rely on “Beijing’s role” (to change Pyongyang) and will form a new framework of inter-Korean policies based on “Seoul’s role.”¹⁶

In an interview days before the election, President Moon explained that his vision of South Korean leadership would involve “fully consulting” with the United States before opening talks with North Korea.

In the same interview, President Moon said, “I do not see it as desirable for South Korea to take the back seat and watch discussions between the U.S. and China and dialogues between North Korea and the U.S.” South Korean leaders often object to moves by the United States if they are seen as bypassing Seoul in dealing with Pyongyang. From 2009 to 2016, the close consultation between the Obama Administration and its South Korean counterparts substantially eased such concerns. However, they appear to have resurfaced in the early months of the Trump Administration. Standing with visiting Japanese Prime Minister Shinzo Abe at the Mar-a-Lago Club in Florida, President Trump said “I just want everybody to understand and fully know that the United States of America stands behind Japan, its great ally, 100 percent.” Some South Koreans expressed concern when President Trump did not mention South Korea in his remarks.¹⁷ Against this backdrop, some Members of Congress may consider whether or not to reassure South Korea of the U.S. commitment to the U.S.-ROK alliance in the face of North Korean threats. (For more on background on cooperation over North Korea and inter-Korean relations, see “North Korea in U.S.-ROK Relations” below.)

THAAD Deployment

After North Korea launched a series of missiles in March 2017 into the Sea of Japan, the United States announced that it was deploying the first elements of a Terminal High Altitude Area Defense (THAAD) ballistic missile defense (BMD) system in South Korea.¹⁸ The launches, along with South Korea’s early presidential election, apparently accelerated the timetable of installing the THAAD battery, which had been scheduled for later in 2017. In early May, one week before South Korea’s presidential election, U.S. Forces Korea (USFK) announced the system was operational. The land was provided by South Korea, but the United States will pay for the system and its operation. According to press reports, estimated costs for the system range from \$800 million to \$1.6 billion.¹⁹ South Korean Defense Minister Han Min-koo has stated that South Korea will not bear any of the costs associated with THAAD. Although officials in the Trump Administration have voiced strong support for the deployment, including Secretary of Defense Mattis, some analysts speculate that this development could prompt new questions about cost-sharing in providing for South Korea’s defense.

The announcement that THAAD was being deployed prompted a stern response from China, which warned that it would “take the necessary steps to safeguard our own security interests, and the consequences will be shouldered by the United States and South Korea.”²⁰ Although specific

¹⁶ JH Ahn, “Sunshine 2.0? Moon Jae-in’s New Inter-Korean Policies, in Summary,” *nknews.org*, April 24, 2017.

¹⁷ Chae Byung-Gun, “Don’t Be Sidelined,” *JoongAng Ilbo*, February 15, 2017; The White House, “Joint Statement by President Trump and Prime Minister Abe of Japan,” February 11, 2017.

¹⁸ U.S. Pacific Command, “Pacom Deploys Defensive Anti-Missile System to Korean Peninsula,” March 7, 2017.

¹⁹ See “South Korea Eyes THAAD Despite China’s Fear,” *Defense News*, February 14, 2016, and “South Korea, U.S. to Deploy THAAD Missile Defense, Drawing China Rebuke,” *Reuters*, July 8, 2016.

²⁰ China Ministry of Foreign Affairs Spokesperson Geng Shuang’s Press Conference, March 7, 2017, (continued...)

retaliation measures were not announced, Chinese state media have encouraged Chinese consumers to boycott South Korean companies, tourism officials said that they would cease booking trips to South Korea by Chinese travelers, and Chinese officials have suspended operations at China-based retail stores of Lotte, citing violations of safety codes. Lotte had owned the land that is being used to host the THAAD battery until early 2017, when it transferred the property to the Korean government.²¹ During his March 2017 visit to Seoul, Secretary Tillerson said that China's "economic retaliation against South Korea is inappropriate and troubling."²² The decision to deploy THAAD was met with a degree of controversy within South Korea as well. When the Park Administration announced that the THAAD battery would be positioned in Seongju, North Gyeongsang Province, local residents protested. Among their concerns were health issues associated with THAAD's X-band radar.²³

During his campaign, President Moon called the U.S. move to deploy THAAD "very regrettable," and said that it was inappropriate for the existing administration in Seoul to advance the deployment hastily.²⁴ Since entering office, he has said that the South Korean government should review the THAAD decision and seek Beijing's understanding on the issue. In a phone call with Chinese President Xi Jinping, President Moon reportedly said in order to settle differences over the deployment, North Korea needed to cease provocations, implicitly asking China to do more to rein in North Korea. President Moon also said that he would send an envoy to Beijing to discuss the THAAD issue.²⁵ One of the first items in the Moon campaign's North Korea statement was a pledge to continue to develop an indigenous Korea Air and Missile Defense (KAMD), which could be compared to the U.S.-produced PAC-2—a second-generation Patriot air defense system.²⁶

Critics of the THAAD deployment, including those within the Moon Administration, have pointed to President Trump's statement in late April that South Korea should pay for the system as justification for investigating the previous president's decision to accept the U.S. system.²⁷ Trump's National Security Advisor, H.R. McMaster, later said that the United States would pay for the \$1 billion system in line with the initial agreement. Despite this assurance, Trump's statement appeared to confirm suspicions among some South Koreans that the United States would eventually ask for South Korea to cover the cost of the U.S. asset. (For more, see "Security Relations and the U.S.-ROK Alliance" below.)

(...continued)

http://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/t1443795.shtml. Jonathan Cheng, "Lotte Chairman Explains Why He's Putting an Antimissile Battery on His Golf Course," *Wall Street Journal*, March 23, 2017.

²¹ "China Warns of 'Consequences' over Deployment of U.S. Antimissile System," *Washington Post*, March 7, 2017.

²² State Department, "Rex Tillerson Remarks with Foreign Minister Yun Byung-se Before Their Meeting," March 17, 2017.

²³ Go Myong Hyun, "Implementing Sanctions Against North Korea: A South Korean Perspective," The Asan Institute for Policy Studies, August 3, 2016, at <http://www.theasanforum.org/implementing-sanctions-against-north-korea%EF%BC%9Aa-south-korean-perspective/#4>.

²⁴ "South Korea Presidential Frontrunner Moon Regrets Move to Deploy THAAD: Spokesman," *Reuters*, April 25, 2017.

²⁵ "Moon Seeks to Mend China Ties Over Thaad in Call with Xi," *Bloomberg*, May 11, 2018.

²⁶ JH Ahn, "Sunshine 2.0? Moon Jae-in's New Inter-Korean Policies, in Summary," *nknews.org*, April 24, 2017.

²⁷ Scott Snyder, "Can the U.S.-Korea Alliance Survive the Trump-Moon Era?," *Asia Unbound CFR Blog*, May 18, 2017.

South Korea-China Relations Show Strains

Beyond their impact on inter-Korean relations, North Korea's 2016 nuclear tests and missile launches may have set in motion a shift in Northeast Asia's geopolitical dynamics. Former President Park spent her first three years in office cultivating closer relations with China. She held six summit meetings with Chinese President Xi Jinping before her first with Prime Minister Abe, in November 2015. In the weeks following North Korea's January 2016 nuclear weapon test, however, Chinese leaders reportedly refused to consult with Seoul, leading some South Koreans to charge that Park's outreach to China failed its first major test. With Chinese pressure failing to curb Pyongyang's provocations, South Korea and the United States in July 2016 announced they would deploy a THAAD battery, to be operated by U.S. Forces Korea, a decision that has further damaged relations between Seoul and Beijing.²⁸ China has publicly portrayed the THAAD system, not North Korea's actions, as undermining regional stability. This has appeared to many observers to underscore the divergent interests of the two countries.

In late 2016 and early 2017, criticisms of China within South Korea mounted on the back of widespread perceptions that China is imposing economic penalties on South Korean companies as a consequence of Seoul's decision to deploy THAAD. In one early 2017 public opinion poll, China's favorability rating among South Koreans fell below Japan's, a rare phenomenon. In early March 2017, then-candidate Moon called on Beijing to "immediately stop" its "excessive retaliation."²⁹ In his first weeks in office, President Moon appointed a special envoy to travel to China to explore ways of mending the rift between the two countries. (The president also appointed envoys to establish relationships with his counterparts in other countries, such as the United States and Japan. For more on South Korea-China relations, see the "South Korea's Regional Relations" section below.)

Contradictory Developments in South Korea-Japan Relations

North Korea's provocations have provided South Korea and Japan with a strategic rationale to increase cooperation bilaterally, as well as trilaterally with the United States. Since early 2016, the three countries appear to have closely coordinated their responses to North Korea's nuclear tests and missile launches. In November 2016, Seoul and Tokyo concluded a General Security of Military Information Agreement (GSOMIA), which the United States has welcomed because it could institutionalize trilateral defense cooperation. The two countries first negotiated a GSOMIA in 2012, only to have Seoul withdraw from the agreement at the last minute due to domestic opposition. President Moon's Minjoo party opposed the signing of the GSOMIA. It is unclear whether Moon shares this position. Events in late 2016 and 2017, however, threaten to reverse improvements in South Korea-Japan relations. In South Korea, opposition has mounted to a December 2015 agreement on how to resolve the "comfort women" issue, a euphemism that refers to the thousands of women who were forced to provide sex to Japanese soldiers during the 1930s and 1940s when Japan occupied Korea. Several prominent politicians, including President Moon, have called for the agreement to be renegotiated, a position that was one of the few areas of agreement among all five candidates in the May presidential election. In December 2016, South Korean activists erected a comfort woman statue—similar to a statue facing the Japanese embassy in Seoul—facing the Japanese consulate in Busan, South Korea's second-largest city. In

²⁸ Department of Defense, "U.S. to Deploy THAAD Missile Battery to South Korea," July 8, 2016.

²⁹ Jack Kim and Christine Kim, "Top South Korean Presidential Candidate Demands China Stop Retaliation over THAAD," *Reuters*, March 14, 2017; Kim Kyo-jin, "Moon Jae-in's View on THAAD Disputed Again," *Korea Times*, March 8, 2017.

response, Japan withdrew its ambassador for several weeks and suspended talks on reconstituting a bilateral currency swap agreement that had been allowed to expire during the previous downturn in relations. In his first days in office, President Moon spoke with Prime Minister Abe by phone. Reportedly, the president told the prime minister that most South Koreans could not accept the comfort women agreement, but did not use the word “renegotiation.” He also reportedly said that efforts to overcome differences over historical issues should not interfere with the two countries’ bilateral relations, particularly coordination over North Korea.³⁰

A poor relationship between Seoul and Tokyo jeopardizes several important U.S. interests, including by making trilateral cooperation over North Korea policy more difficult and hampering the ability to respond effectively to China. Some policy analysts have called for the United States to become more directly involved in trying to improve relations between South Korea and Japan.³¹ The Obama Administration invested considerable effort in trying to manage 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.³²

Since President Trump assumed office, a February 2017 joint statement between the United States and Japan “affirmed the importance” of trilateral cooperation with South Korea. During his March visit to Tokyo, Secretary of State Tillerson stated that expanding trilateral cooperation was “a priority ... allow[ing] our three nations to coordinate actions on major regional and global problems, and more effectively counter the threats posed by North Korea.” Tillerson does not appear to have mentioned trilateral cooperation during his public remarks in South Korea, though Secretary of Defense Mattis did so during his February visit to Seoul.³³ (For more, see the “South Korea’s Regional Relations” section below.)

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;

³⁰ “S. Korean President Hints at Scrapping Deal with Japan over Sexual Slavery,” *Yonhap News*, May 11, 2017.

³¹ 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.

³² 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. On September 27, 2016, the House Foreign Affairs Subcommittee on Asia and the Pacific held a hearing entitled “The U.S.-Republic of Korea-Japan Trilateral Relationship: Promoting Mutual Interests in Asia.”

³³ The White House, “Joint Statement from President Donald J. Trump and Prime Minister Shinzo Abe,” February 10, 2017; State Department, “Press Availability With Japanese Foreign Minister Fumio Kishida,” March 16, 2017; Department of Defense, “Secretary of Defense Joint Remarks with South Korean Defense Minister,” February 3, 2017.

- 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. Former 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 1948.³⁴

Large majorities of South Koreans say they value the U.S.-ROK alliance and have positive opinions of the United States.³⁵ Since at least 2014, South Koreans have consistently indicated that the United States is their favorite nation, according to one opinion poll.³⁶ 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 South Korea's progressive groups—such as President Moon's Minjoo Party—who opposed much of President Park's agenda, including the relatively hard line she took 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

³⁴ 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.

³⁵ 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.

³⁶ Asan Institute for Policy Studies. “South Koreans and Their Neighbors 2016,” May 3, 2016, at <http://en.asaninst.org/contents/south-koreans-and-their-neighbors-2016/>.

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 noncombat role in Iraq and over 300 noncombat 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.

Figure I. 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.”

North Korea in U.S.-ROK Relations

Coordination over North Korea Policy

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. North Korea’s apparent progress toward possibly developing the capacity to militarily strike the United States directly, however, could have contradictory effects. On the one hand, the United States’ security is becoming more intertwined with South Korea’s ability to influence North Korea’s behavior. On the other hand, a greater sense of threat could lead to future scenarios where U.S. policymakers feel they need to act in a more unilateral fashion.

Under the Obama Administration and the successive South Korean presidencies of Lee Myung-bak (2008-2013) and Park Geun-hye (2013-2017), the United States and South Korea in effect adopted a joint approach to Pyongyang, sometimes called “strategic patience,” that had 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 appeared 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 allowed Pyongyang to control the day-to-day situation, according to some experts. While Washington and Seoul waited to react to Pyongyang’s moves, the criticism runs, North Korea continued to develop its nuclear and missile programs and embarked on a propaganda offensive designed to shape the eventual negotiating agenda to its benefit. Prior to 2016, when President 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. North Korea’s general refusal to accept Park’s overtures, however, did not provide her government with an opportunity to apply her policies.

The joint U.S.-ROK approach involved elements of both engagement and pressure. Washington and Seoul tended to reach out to North Korea during relatively quiescent periods. In contrast, they 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, January 2016, and September 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).³⁷

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.³⁸ 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 made boosting deterrence against North Korea a tenet of her presidency, and vowed to retaliate if North Korea launches another conventional attack.³⁹

In 2016, in response to Pyongyang's nuclear tests and missile launches, Washington and Seoul placed significant emphasis on the harder elements of their approach. Most notably, the two countries:

- successfully pushed the UNSC to pass two resolutions (UNSC Resolution 2270 in March 2016 and UNSC Resolution 2321 in November 2016) expanding international sanctions;
- launched a global campaign to persuade other countries to curtail relations with North Korea, including curbing other countries' participation in the DPRK's state-run labor export programs, which are believed to generate income for the government in Pyongyang;⁴⁰
- announced that they would deploy the Terminal High Altitude Area Defense ballistic missile defense system in South Korea, a step that the two countries had deferred for months and that China has protested loudly; and
- launched a bilateral North Korean Human Rights Consultation mechanism.

In another significant step, Seoul shut down the Kaesong Industrial Complex, which had generated approximately 25%-30% of North Korea's export revenue. The complex, which was

³⁷ 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 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>.

³⁸ "Lee Recalls Getting Tough with N. Korea," *Chosun Ilbo*, February 5, 2013.

³⁹ "Park Vows to Make N. Korea 'Pay' If It Attacks S. Korea," *Korea Herald*, May 7, 2013.

⁴⁰ State Department, "Joint Statement of the 2016 United States-Republic of Korea Foreign and Defense Ministers' Meeting," October 19, 2016, available at <http://www.state.gov/r/pa/prs/ps/2016/10/263340.htm>.

established in part to be an example for market-oriented reforms in North Korea, was the last physical remnant of the inter-Korean cooperation that sprouted during the years of Seoul's "sunshine policy" in 2000-2008. 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.

Additionally, in the aftermath of North Korea's January 2016 nuclear test, 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. Among the steps the Obama Administration took to implement P.L. 114-122 were a June 2016 determination by the Secretary of the Treasury that North Korea is a jurisdiction of money laundering concern, and a July 2016 State Department report designating Kim Jong-un and senior North Korean officials as personally responsible for widespread human rights violations.⁴¹

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

Relations between the two Koreas have been poor since the 2010 attacks on the *Cheonan* and on Yeonpyeong-do. 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 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 appeared to allow Seoul to take the lead in determining how to best deal with North Korea.

A key element in Park's plan was 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 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.⁴² Aside from a brief thaw in the fall of 2015, when a round of family reunions were held, North Korea generally did not respond positively to Park's initiatives, and attempts by the two sides to enter into sustained negotiations did not produce tangible results before relations plunged in 2016.

After North Korea's January 2016 nuclear test and February 2016 missile launch, South Korea announced new unilateral sanctions on Pyongyang, including a refusal to allow ships that have travelled to North Korea within the previous six months to dock in South Korea. In October 2016, following a small increase in elite defections during the year, President Park issued an unprecedented appeal encouraging North Koreans to defect, reportedly saying, "please come to

⁴¹ State Department, "Report on Human Rights Abuses and Censorship in North Korea," July 6, 2016, available at <http://www.state.gov/j/drl/rls/259366.htm>.

⁴² 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.

the bosom of freedom in the South.”⁴³ Later that same month, South Korean Foreign Minister Yun Byung-se stated that the United States and South Korea recognize the “need to accelerate change in North Korea,” by taking steps such as pressuring the country to improve its human rights record and increasing the penetration of outside information into North Korea.⁴⁴ As part of its response to South Korea’s moves and statements, North Korea’s state-run media issued a number of threats against South Korea as well as vulgarities and language personally criticizing President Park.

In another sign of hardening attitudes toward North Korea, the Park government in early September 2016 announced that due to North Korea’s continued provocations, South Korea was unlikely to provide direct humanitarian assistance—or allow South Korean organizations to provide assistance—to help North Korea deal with large-scale flooding that occurred earlier in the month.⁴⁵ Also, in March 2016, by a 220-0 vote, South Korea’s National Assembly 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).⁴⁶ 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.⁴⁷

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. To reassure South Korea and Japan after North Korea’s February 2013 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 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.”⁴⁸ (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.⁴⁹

⁴³ Anna Fifield, “Two More North Koreans Said to defect, but Don’t Hold Your Breath for the Collapse,” October 6, 2016, at https://www.washingtonpost.com/world/asia_pacific/two-more-north-koreans-said-to-defect-but-dont-hold-your-breath-for-the-collapse/2016/10/06/336ab92d-4774-4635-aa65-241227510181_story.html.

⁴⁴ State Department, “Remarks with Republic of Korea Foreign Minister Yun Byung-se at a Press Availability,” October 19, 2016, available at <http://www.state.gov/secretary/remarks/2016/10/263333.htm>.

⁴⁵ JH Ahn, “UN Calls for Increased Support for Victims of N.Korean Typhoon,” *NKNews*, September 21, 2016.

⁴⁶ 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.

⁴⁷ Kent Boydston, “The ROK North Korea Human Rights Act,” *North Korea: Witness to Transformation* blog, March 14, 2016.

⁴⁸ 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.

⁴⁹ Anna Fifield, “In Drills, U.S., South Korea Practice Striking North’s Nuclear Plants,” *Washington Post*, March 7, 2016.

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.⁵⁰ Shortly after North Korea's September 2016 nuclear test, South Korean Defense Minister Han Min-koo announced a "Korean Massive Punishment and Retaliation" plan to strike Pyongyang and top North Korean leadership in the case of a nuclear attack.⁵¹ Such changes have made some analysts and officials more concerned about the possibility that a small-scale North Korean provocation could escalate.⁵² 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.

South Korea Nuclear Armament Debate

Since 2013, North Korea's nuclear weapon tests and multiple missile launches have rekindled a debate in South Korea about developing its own nuclear weapons capability, notwithstanding Seoul's reliance on the U.S. "nuclear umbrella."⁵³ Some analysts have argued that North Korea's advancing capability undermines U.S. protection because of Pyongyang's growing credibility that it could launch a second nuclear strike.⁵⁴ In one 2016 Asan Institute poll, 65% of respondents indicated they favor nuclearization, while 31% opposed. This is the highest level of support since the Asan Institute began asking this question in 2010. Debates about nuclearization have become more prominent in political circles in Seoul following the 2016 tests.⁵⁵ Following North Korea's September nuclear test, a group of National Assembly members from the then-ruling Saenuri Party called on the ROK government to consider developing nuclear weapons.⁵⁶ A presidential advisory group, the National Unification Advisory Council, in an October 2016 report recommended that South Korea consider a return of U.S. tactical nuclear weapons to South Korea.⁵⁷ Those weapons were removed in 1991, and U.S. nuclear weapons are deliverable on

⁵⁰ "Lee Recalls Getting Tough with N. Korea," *Chosun Ilbo*, February 5, 2013.

⁵¹ Hong Dam-young, "S. Korea Has Plan to Assassinate Kim Jong-un," Says Defense Minister," *Korea Times*, September 22, available at http://www.koreatimes.co.kr/www/news/nation/2016/09/205_214524.html.

⁵² 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.

⁵³ 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.

⁵⁴ Lee Byong-Chul, "Preventing a Nuclear South Korea," *38 North*, September 16, 2016.

⁵⁵ Aidan Foster-Carter, "South Korea-North Korea Relations: A Toxic Nuclear Tocsin," Comparative Connections CSIS Pacific Forum, September 2016.

⁵⁶ "Calls Grow for South Korea to Consider Deploying Nuclear Weapons," *DW*, September 9, 2013.

⁵⁷ Kang Seung-woo, "Park Asked to Consider US Nukes: Presidential Panel Supports Presence of Tactical Weapons," *Korea Times*, October 13, 2016.

long-range bombers as well as B-52s from nearby Guam.⁵⁸ The Korean government is also considering a proposal to develop a nuclear-powered attack submarine.⁵⁹ As a candidate, President Trump in spring 2016 stated that he was open to South Korea developing its own nuclear arsenal to counter the North Korean nuclear threat.⁶⁰

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 nonproliferation regime; and potentially encouraging Japan to develop nuclear weapons capability. For the United States, South Korea developing 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.⁶¹

To reassure South Korea after North Korea's tests, Obama Administration officials reaffirmed the U.S. security guarantee, including extended deterrence under the United States' so-called "nuclear umbrella." An October 2016 joint "2+2" statement issued by U.S. and South Korean Foreign and Defense Ministers restated the U.S. position that "any use of nuclear weapons [by North Korea] will be met with an effective and overwhelming response." At the 2+2 meeting, the two sides agreed to establish a new, Extended Deterrence Strategy and Consultation Group (EDSCG).⁶²

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 helping South Korea defend itself, particularly against any aggression from the North. South Korea is included under the U.S. "nuclear umbrella," also known as "extended deterrence." The United States maintains about 28,500 troops in the ROK. In the past, 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. 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 do not constitute a permanent presence, but the aircraft often remain in South Korea for weeks and sometimes months for training.

The ROK armed forces today total over 625,000 troops, with about 490,000 in the Army, 70,000 in the Air Force, and 65,000 in the Navy.⁶³ Due to the declining birth rate, the armed forces are planning to reduce their numbers by nearly one-fifth by 2022.⁶⁴ In 2015, South Korea had the

⁵⁸ David E. Rosenbaum, "U.S. to Pull A-Bombs from South Korea," *New York Times*, October 20, 1991.

⁵⁹ Jun Ji-hye, "Can S. Korea Get US Approval for Nuclear Sub?" *Korea Times*, October 18, 2016.

⁶⁰ "Transcript: Donald Trump Expounds on His Foreign Policy Views," *New York Times*, March 26, 2016, available at http://www.nytimes.com/2016/03/27/us/politics/donald-trump-transcript.html?_r=1; "Full Rush Transcript: Donald Trump, CNN Milwaukee Republican Presidential Town Hall," CNN, March 29, 2016, available at <http://cnnpressroom.blogs.cnn.com/2016/03/29/full-rush-transcript-donald-trump-cnn-milwaukee-republican-presidential-town-hall/>.

⁶¹ 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.

⁶² State Department, "Joint Statement of the 2016 United States-Republic of Korea Foreign and Defense Ministers' Meeting," October 19, 2016, available at <http://www.state.gov/r/pa/prs/ps/2016/10/263340.htm>.

⁶³ ROK Ministry of National Defense, 2016 Defense White Paper, p. 236, http://www.mnd.go.kr/user/mnd/upload/pblict/PBLICTNEBOOK_201701130411279290.pdf.

⁶⁴ "South Korea to Shrink Armed Forces by a Fifth in Next 8 Years," *Stars and Stripes*, March 18, 2014.

10th-largest defense budget in the world, constituting about 2.4% of its GDP.⁶⁵ 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 in South Korea of the military alliance, led by progressive political groups. In recent years, however, 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. Some analysts speculate that President Trump’s emphasis on U.S. allies contributing “their fair share” of the burden of U.S. protection, however, could increase tensions in the relationship in the years to come. Other issues in the alliance reflect sensitive sovereignty concerns such as Seoul’s control over its own military forces and its desire to develop its own defense industry without dependence on American equipment.

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, 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 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.⁶⁶ After North Korea’s fourth and fifth nuclear tests in 2016, the United States flew a B-52 bomber and a B-1B strategic bomber as a signal of commitment to South Korea.

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, the latest of which took place in Seoul mid-September 2016. The United States and ROK also regularly conduct a Security Consultative Meeting (SCM) between the Secretary of Defense and Ministry of National Defense to reaffirm the alliance, analyze key threats, consult on weapon systems, coordinate the strategic posture, and discuss matters of mutual interest such as the wartime operational control (Opcon) transition plan (discussed below).⁶⁷

⁶⁵ Stockholm International Peace Research Institute Fact Sheet, Trends in Military Expenditure, April 2016.

⁶⁶ 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.

⁶⁷ “Full text of 47th ROK-U.S. Joint Communique,” United States Forces Korea, November 1, 2015, Available at <http://www.usfk.mil/Media/News/Article/626859/full-text-of-47th-rok-us-joint-communique/>.

Ballistic Missile Defense and THAAD Deployment Background

The decision in July 2016 to deploy the Terminal High-Altitude Area Defense missile defense system took place after years of consideration and controversy 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 2014.⁶⁸ As the threat of North Korean ballistic missiles appeared to intensify, the United States and South Korea began examining how to improve their BMD capabilities to defend South Korea and U.S. forces stationed there. The United States urged South Korea to develop or procure advanced BMD capabilities and to ensure that they become more interoperable with U.S. and allied BMD systems in the region. There are signs that some U.S. officials would prefer an integrated system. In 2014, the Vice Chairman of the U.S. Joint Chiefs of Staff, Admiral James “Sandy” Winnefeld, 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.⁶⁹ However, Washington and Seoul initially settled on a policy of *interoperability* rather than integration. Seoul was 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 had 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 an 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 would be interoperable with alliance systems and could gradually incorporate more advanced BMD equipment as those elements are procured. In 2015, Korea’s Ministry of National Defense announced a budget of \$703 million to develop KAMD and Kill Chain—a missile system designed to detect, target, and destroy DPRK military installations—within the next 10 years. The ROK Navy has three destroyers with Aegis tracking software that could be upgraded but no missile interceptors, and the ROK Army fields PAC-2 interceptors. South Korea reportedly plans to upgrade PAC-2 systems in Seoul to PAC-3 versions by 2022. ROK contracted Raytheon to upgrade its Patriot Air and Missile Defense System batteries for \$770 million in March 2015.⁷⁰ A PAC-3 interceptor unit was briefly transferred from U.S. Forces Japan to Gunsan, North Jeolla Province, in South Korea for joint training drills with ROK units in July 2016.⁷¹

After the North Korean satellite launch in February 2016, U.S. and ROK officials made a joint statement that the allies would examine the deployment of THAAD to South Korea, prompting harsh reactions from China and Russia. China 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.⁷² The

⁶⁸ Julian Barnes, “Washington Considers Missile-Defense System in South Korea,” *Wall Street Journal*, May 27, 2014.

⁶⁹ Paul McLeary, “Burden Sharing Is the Future of Asian Missile Defense, Pentagon Official Says,” *Defense News*, May 28, 2014.

⁷⁰ Raytheon, “Republic of Korea Upgrades Its Air and Missile Defense,” press release, March 30, 2015, available at <http://raytheon.mediaroom.com/2015-03-30-Republic-of-Korea-upgrades-its-Air-and-Missile-Defense?sf8291544=1>.

⁷¹ Jun Ji-hye, “US Brings PAC-3 Unit to Korea,” July 22, 2016, Available at http://www.koreatimes.co.kr/www/news/nation/2016/07/116_210082.html.

⁷² 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, (continued...)

Chinese ambassador to Seoul reportedly warned in February 2016 that the China-ROK relationship could be “destroyed in an instant” if the United States places THAAD in South Korea.⁷³ South Korean officials and politicians have protested China’s posture, defending the utility of the BMD system for intercepting North Korean missiles.

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

The planned realignment of all U.S. forces from bases near the demilitarized 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. 2017 is anticipated to be a year of major movement of personnel to the new base in Pyeongtaek.

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 2020.⁷⁴ The city of Dongducheon, where those soldiers are based, has protested this decision and withdrawn some cooperation with the U.S. Army.⁷⁵

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.”⁷⁶ 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.⁷⁷ U.S. Ambassador Mark Lippert testified to Congress in June 2014 that the Humphreys Housing Opportunity Program (privately developed housing for servicemembers and

(...continued)

April 2016, pp. 21-41.

⁷³ Choe Sang-hun, “South Korea Tells China Not to Intervene in Missile-Defense System Talks,” *New York Times*, February 24, 2016.

⁷⁴ “Joint Communique of the 46th ROK-U.S. Security Consultative Meeting,” U.S. Department of Defense, Washington, DC, October 23, 2014.

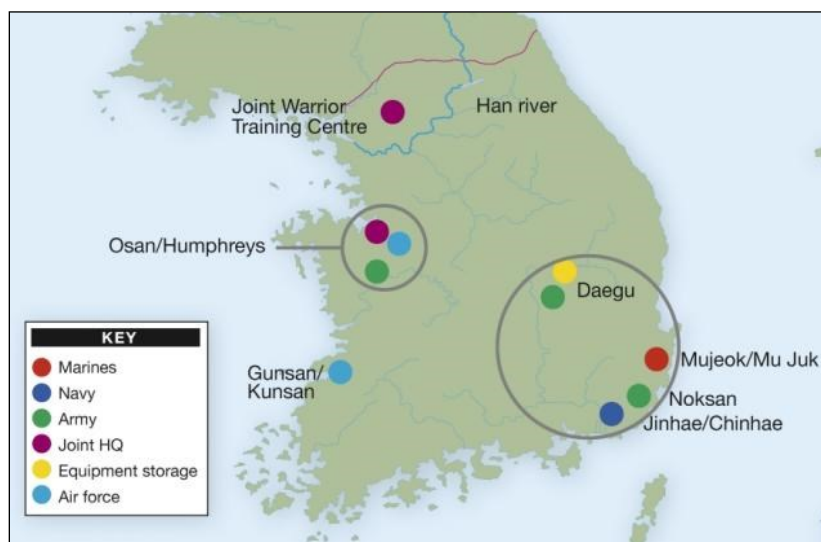
⁷⁵ Jun Ji-hye, “City Protests US Troop Presence,” *Korea Times*, January 13, 2015.

⁷⁶ 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.

⁷⁷ 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.

their families inside the base) was a “challenging issue” and that the Defense Department was reexamining housing plans at USAG Humphreys.⁷⁸ In 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.

Figure 2. 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 Korea⁷⁹

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 2011, the Senate Armed Services Committee (SASC) passed amendments to the FY2012 National Defense Authorization Act that prevent 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) included a provision (Section 2107) that continues to prohibit funds for tour normalization. Since 2013, at least, the DOD has “stopped pursuing

⁷⁸ 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.

⁷⁹ (name redacted), CRS Specialist in Military Ground Forces, contributed to this section.

Tour Normalization as an initiative for Korea.”⁸⁰ In 2013, USFK released a statement saying, “while improvements to readiness remain the command’s first priority, tour normalization is not affordable at this time.”⁸¹ A 2013 SASC report criticized the policy change as expensive and questioned the legality of how DOD calculated the housing allowance.⁸²

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.⁸³ 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. According to congressional testimony by General Vincent Brooks, South Korea paid 932 billion won (\$824 million) in 2015 and 944 billion won (\$821 million) in 2016, equal to about 50% of the total nonpersonnel costs of U.S. troop presence on the peninsula. In addition, South Korea is paying \$9.74 billion for the relocation of several U.S. bases within the country and construction of new military facilities.⁸⁴

The new SMA 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 co-chairs of the Korea-U.S. Integrated Defense Dialogue (KIDD). Even with these changes,

⁸⁰ 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.

⁸¹ Ashley Rowland, “USFK: Program to Move Families to Korea ‘Not Affordable at This Time,’” *Stars and Stripes*, January 8, 2013.

⁸² 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).

⁸³ 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.

⁸⁴ 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.

Korean then-opposition lawmakers in the Minjoo's predecessor party that now is in the majority 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.

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. Progressive parties in South Korea generally support hastening the transition, arguing that the U.S. presence influences North Korea to accelerate its military buildup.

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.⁸⁵ 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 2014, South Korea's Minister of Defense reportedly announced that the goal was to transfer Opcon in 2023, stressing the completion of the Korean Air and Missile Defense System (KAMD) by 2020 as an important step in the transfer process.⁸⁶ To that effect, the Ministry of Defense announced that \$1.36 billion would be invested in the KAMD system in 2017.⁸⁷ 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.⁸⁸ Some military experts expressed concern that turning over control would lead to the United States reducing its overall commitment to South Korean security.⁸⁹ 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.⁹⁰

⁸⁵ General Curtis Scaparrotti, U.S. Department of Defense Press Briefing, Washington, DC, October 24, 2014.

⁸⁶ "Increased Domestic Production Needed for Defense Industry," *KBS News*, October 25, 2014 (in Korean); "Wartime Opcon Transfer to Occur After KAMD and Kill Chain Are Completed," *Yonhap News*, October 24, 2014 (in Korean).

⁸⁷ "1.5 Trillion Won to Be Invested in Kill Chain and KAMD Next Year," *Yonhap News*, September 6, 2016.

⁸⁸ Song Sang-ho, "Allies Rack Brains over OPCON Transfer," *Korea Herald*, May 6, 2014.

⁸⁹ 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.

⁹⁰ "Joint Communiqué of the 46th ROK-U.S. Security Consultative Meeting," U.S. Department of Defense, Washington, DC, October 23, 2014.

The decisions to delay the Opcon transfer could be interpreted as flexible adjustments 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, then-USFK Commander General Curtis Scaparrotti explained the three general conditions for Opcon transfer:⁹¹

- 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
- 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.⁹² South Korea's Ministry of National Defense (MND) 2016 White Paper says that the MND will do its utmost to fulfill all necessary requirements to facilitate Opcon transfer by the mid-2020s by making progress toward being able to lead alliance military drills and organizing the potential future headquarters for the ROK-U.S. Combined Forces Command (CFC) after the transfer is complete.⁹³

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). From 2008 to 2016, ROK FMS contracts with the US totaled \$15.7 billion, and commercial acquisitions totaled \$6.9 billion for a total of \$22.5 billion in acquisitions during that time period.⁹⁴ 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. From 2008 to 2016, approximately 75% of South Korea's total foreign defense purchases have come in the form of FMS and commercial sales from U.S. companies.⁹⁵

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.⁹⁶ 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

⁹¹ 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.

⁹² Park Byong-su, "OPCON Transfer Delayed Again, This Time to Early-2020s Target Date," *Hankyoreh*, September 17, 2014.

⁹³ ROK Ministry of National Defense, 2016 Defense White Paper, p. 133, http://www.mnd.go.kr/user/mnd/upload/pblicitn/PBLICTNEBOOK_201701130411279290.pdf.

⁹⁴ CRS Correspondence with South Korean official, March 15, 2017.

⁹⁵ CRS Correspondence with South Korean official, March 15, 2017.

⁹⁶ Ser Myo-ja, "Military Selects Lockheed Martin Fighter," *Korea JoongAng Daily*, November 23, 2013.

scheduled for 2018.⁹⁷ 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.⁹⁸ 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 former 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.⁹⁹

South Korea is to also purchase four RQ-4 "Global Hawk" unmanned aerial vehicles (UAVs) at a price of \$657 million in total.¹⁰⁰ Given concerns that the sale could violate the Missile Technology Control Regime (MTCR) and nonproliferation norms, observers called on the Obama Administration to ensure that the Global Hawks are used strictly for reconnaissance and are not armed.¹⁰¹ Currently, the South Korean military operates reconnaissance UAVs; the MND budgeted \$447 million to indigenously develop a combat UAV by 2021.¹⁰²

Korea's Defense Reform 2020 initiative emphasizes the development of indigenous capabilities by increasing the percentage of funds allocated to defense research and development (R&D).¹⁰³ For example, South Korea's Defense Acquisition Program Administration (DAPA) announced in 2016 that government funding will be provided for industries that focus on the development of essential parts for weapons systems.¹⁰⁴ The defense spending increase is also tied to South Korean strategic objectives, including a three-axis defense plan that seeks to integrate Korea Air and Missile Defense (KAMD), Kill Chain, and the Korea Massive Punishment and Retaliation (KMPR) plan with USFK systems and capabilities. South Korea aims to improve the competitiveness of its defense industry, but reported problems with the reliability of certain systems pose a challenge; South Korean firms compete internationally in the armored vehicle, shipbuilding, and aerospace industries.¹⁰⁵ 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.

Southeast Asia is considered to be a major market for South Korean defense equipment. Recent international arms sales include 12 FA-50 light aircraft sold to the Philippines for \$420 million, three diesel electric attack submarines sold to Indonesia for \$1.1 billion, a frigate sold to Thailand for \$486 million, and six missile surface corvettes sold to Malaysia for \$1.2 billion.

⁹⁷ "Military Selects Lockheed Martin Fighter," *JoongAng Ilbo*, November 25, 2013.

⁹⁸ "Why Can U.S. Arms Dealers Pull Korea Around by the Nose?" *Chosun Ilbo*, editorial, September 23, 2015.

⁹⁹ Gordon Lubold, "Is South Korea Stealing U.S. Military Secrets?" *Foreign Policy*, October 23, 2013.

¹⁰⁰ Seth Robson, "US Approves Sale of Global Hawks to South Korea," *Stars and Stripes*, December 17, 2014.

¹⁰¹ "Drones for South Korea," *New York Times*, editorial, December 29, 2012.

¹⁰² Song Sang-ho, "U.S. Agrees to Extend Seoul's Ballistic Missile Range: Reports," *Korea Herald*, September 23, 2012.

¹⁰³ "South Korea Defense Budget," *Jane's Defence Budgets*, December 14, 2009.

¹⁰⁴ Defense Acquisition Program Administration, "Support and Supervision of Enterprises that assist in the Nationalization of Essential Parts," press release, October 14, 2016, available at http://www.dapa.go.kr/user/boardList.action?command=view&page=1&boardId=I_614&boardSeq=O_26026&titleId=null&id=dapa_kr_040100000000&column=null&search=.

¹⁰⁵ Simon Mundy, "South Korea Aims to Become Defence Powerhouse," *Financial Times*, November 6, 2013.

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.¹⁰⁶ 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.

South Korea-Japan Relations

South Korea's relations with Japan, strained since 2012, improved modestly in 2015, 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 former President Park's decision to relax her previous linkage between the Japanese government treatment of history issues and Seoul's willingness to participate in most forms of high-level bilateral activities.¹⁰⁷ 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.¹⁰⁸

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.¹⁰⁹

¹⁰⁶ 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).

¹⁰⁷ Alastair Gale, "South Korea's Park Chides Abe but Seeks Stable Japan Ties," *Wall Street Journal*, May 4, 2015.

¹⁰⁸ Blue House, "Commemorative Address by President Park Geun-hye on the 70th Anniversary of Liberation," August 15, 2015.

¹⁰⁹ 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.

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.¹¹⁰ 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 subjugate Korean culture.¹¹¹ Among the victims were tens of thousands¹¹² 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.

"Comfort Women"-Related Legislation in U.S. Congress

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, ongoing 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 and/or undermining South Korea's efforts to defend itself

¹¹⁰ Since the early 1950s, South Korea has administered Dokdo/Takeshima, which the U.S. government officially calls the "Liancourt Rocks."

¹¹¹ For instance, Japanese authorities banned the use of the Korean language in schools and required all Koreans to adopt Japanese names. Many Koreans believe that the United States was complicit in this history, in part 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.

¹¹² According to some Japanese sources, the number of South Korean comfort women was much lower.

against the DPRK. North Korean acts of provocation are often followed by breakthroughs in ROK-Japan relations, as well as in ROK-U.S.-Japan cooperation.

The 2015 South Korea-Japan “Comfort Women” Agreement

In December 2015, South Korea and Japan reached 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.¹¹³ 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 as well as the families of deceased victims.¹¹⁴ 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.¹¹⁵ 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.”¹¹⁶ 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.¹¹⁷

Despite strong criticism of the agreement in South Korea, implementation of the deal proceeded. In July 2016, the South Korean government officially established the Foundation for Reconciliation and Healing; in August, Japan provided the promised 1 billion yen to the foundation. Some surviving comfort women refused payments and insisted that the Japanese government take legal responsibility for the wartime system, and many South Korean politicians from across the political spectrum have strongly criticized the deal. Many Japanese conservatives continue to express displeasure about a comfort woman statue that stands in front of the Japanese Embassy in Seoul. In the December 2015 agreement the Park government promised to “make efforts to appropriately address” Japan’s concerns, a phrase many Japanese interpreted as an understanding that South Korea would move the statue to a different location.¹¹⁸ Any attempt to move the statue is expected to trigger passionate, perhaps large-scale, protests in South Korea.

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, which has accounted for over 60% of North Korea’s trade with the world since 2011, 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

¹¹³ 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.

¹¹⁴ 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.”

¹¹⁵ South Korean and Japanese Foreign Ministries’ translations of the December 28, 2015, joint announcement.

¹¹⁶ 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.

¹¹⁷ Daniel Sneider, “Behind the Comfort Women Agreement,” *Toyo Keizai Online*, January 10, 2016.

¹¹⁸ The Japanese translation of the December 28, 2015, joint statement says that the Park government will “strive to solve this [statue] issue in an appropriate manner.”

term (such as handling sudden crises) and the long term (such as contemplating how to bring about reunification). For this reason, a key objective of the joint Park/Obama policy toward North Korea was 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 called for establishing a trilateral strategic dialogue among South Korea, the United States, and China that presumably could discuss various situations involving North Korea.¹¹⁹ 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.¹²⁰ 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.

South Korean officials generally are reluctant to raise objections in public about Chinese behavior that does not directly affect South Korea. This can be seen in South Korea's response to Chinese increased assertion of maritime claims in the South and East China Seas. During the Obama Administration, U.S. officials, including President Obama, called on South Korea to be more vocal about China's series of assertive actions in the South China Sea. In fall 2015, the South Korean defense minister and foreign minister made the first public comments by cabinet officials that were seen to be obliquely critical of China's actions in the South China Sea.¹²¹

One factor that may have convinced South Korea to become more vocal on this issue may have been increased tensions between Seoul and Beijing over competing claims to fishing rights in the Yellow Sea. In 2016, the number of Chinese fishing vessels operating in waters claimed by the two Koreas, as well as in South Korea's undisputed exclusive economic zone (EEZ), reportedly increased dramatically from dozens of vessels to hundreds. South Korean fishermen blame a precipitous drop in South Korea's 2016 crab catch on the increase, and argue that the Chinese

¹¹⁹ Park Geun-hye, "Trustpolitik and the Making of a New Korea," November 15, 2012.

¹²⁰ Much of South Korea's exports to China are intermediate goods that ultimately are used in products exported to the United States and Europe.

¹²¹ For instance, at a November 2015 meeting of Asian and European foreign ministers, Foreign Minister Yun Byun-se said that regarding the South China Sea, "my government has emphasized that disputes should be resolved peacefully in accordance with internationally established norms of conduct, as well as relevant commitments and agreements, bilateral and multilateral. South Korean Ministry of Foreign Affairs, "Remarks by H.E. Yun Byung-se at 12th ASEM FMM (Retreat Session)," November 6, 2015. 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 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) .

fishing boats use unsustainable methods that damage spawning grounds.¹²² Moreover, by prompting increased patrols in the area by both Koreas, the expanded presence of Chinese fishing vessels increases the chances of an unintended collision or skirmish between South Korean and North Korean coast guard or naval vessels attempting to police the area, particularly around the Northern Limit Line (NLL) that South Korea says is the maritime boundary between the two Koreas. According to one 2016 report, North Korea had sold fishing rights to Chinese fisherman to raise foreign currency.¹²³ In June 2016, the United Nations Command (UNC)—which operates under a U.S. commander—announced that it would conduct joint patrols with South Korea to enforce the 1953 armistice’s restrictions on illegal fishing in the Han River Estuary. Reportedly this was the first time the UNC and South Korea had conducted joint operations in the area.¹²⁴ Clashes—including collisions, sinkings, and deaths—between South Korean coast guard vessels and Chinese fishing boats appear to have increased over the course of 2016, creating bilateral friction.

Economic Relations

South Korea and the United States are major economic partners. In 2016, two-way goods and services trade between the two countries totaled \$145 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 2016, the United States was South Korea’s second-largest trading partner, second-largest export market, and third-largest source of imports. In 2013, it was among South Korea’s largest suppliers of and destinations for 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. On the other hand, South Korea’s position among U.S. trading partners has been relatively consistent over the past two decades.

South Korea’s export-driven economy and competition with domestic U.S. producers in certain products has led to some trade friction 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 (AD/CVD) investigations. As of May 11, 2017, for instance, antidumping duties were being collected on 19 South Korean imports, and countervailing duties were being assessed on 6 South Korean products.¹²⁵ The Trump Administration has also taken broader new or relatively less-used actions on imports, which may affect U.S. trade with South Korea. The Administration may self-

¹²² John G. Grisafi, “UN Command Polices Chinese Boats in Han River Estuary,” nknews.org, June 11, 2016.

¹²³ JH Ahn, “North Korea Sold Fishing Rights to China for \$30 Million, Lawmaker Claims,” nknews.org, July 1, 2016.

¹²⁴ Grisafi, “UN Command Polices Chinese Boats in Han River Estuary.” The 1953 armistice among the combatants in the Korean War brought an official end to hostilities in that conflict.

¹²⁵ U.S. International Trade Commission (USITC), http://www.usitc.gov/trade_remedy/documents/orders.xls. For more on antidumping and countervailing duties, see CRS In Focus IF10018, *Trade Remedies: Antidumping and Countervailing Duties*, by (name redacted).

initiate some AD/CVD cases without petitions by industry, which could increase their frequency.¹²⁶ In addition, the Administration has begun trade investigations under Section 232 of the Trade Expansion Act of 1962, as amended, which will examine the impact of U.S. imports of steel, among other products, on national security, and could result in the imposition or increase of tariffs on these products.¹²⁷ South Korea is a top supplier of U.S. steel imports.

Five Years of the KORUS FTA

For five years, the KORUS FTA has been the centerpiece of U.S.-South Korean trade and economic relations. Although the agreement was initiated in 2006 and signed in 2007 under the George W. Bush and Roh Moo-hyun Administrations, implementing legislation was not submitted to and passed by Congress until 2011.¹²⁸ This followed an exchange of letters between the Obama and Lee Myung-bak Administrations that effectively made certain modifications to the original agreement, relating to auto and agricultural trade. In March 2012, the U.S.-South Korea FTA entered into force.

Upon implementation, 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. Six rounds of tariff cuts have occurred to date. The agreement also has arguably the “highest-standards” of any U.S. FTA currently in force, including commitments ensuring financial services firms’ ability to transfer data between the two countries, a precursor to the Trans-Pacific Partnership’s (TPP’s) much-lauded digital trade commitments. Nontariff barriers in goods trade and barriers in services trade and foreign investment have and will continue to be reduced or eliminated under the KORUS FTA. The third stage of South Korea’s market opening to legal services, the commitment to allow U.S. firms to enter into joint ventures in South Korea, became effective in March 2017.

Total trade in goods and services between the two countries has grown with U.S. exports rising from \$61.9 billion in 2011 to \$63.9 billion in 2016, and imports rising from \$67.3 billion to \$81.4 billion during the same period (**Table 1**). Foreign direct investment (FDI) between both countries has also grown with the stock of South Korean FDI in the United States more than doubling, growing from \$19.9 billion in 2011 to \$40.1 billion in 2015 (the most recent year available). U.S. FDI abroad into South Korea grew more modestly from \$28.1 billion to \$34.6 billion.

Reviews of the agreement to date are mixed. Proponents argue that KORUS has enhanced competition and consumer choice in both countries, increased protection of U.S. intellectual property in South Korea, and improved the transparency of the South Korean regulatory process.¹²⁹ They also contend that lower import restrictions in South Korea have increased U.S. exports of certain products. U.S. beef exports, for example, have increased from \$649 million in 2011 to just over \$1 billion in 2016, as the South Korean beef tariff has fallen from 40% to 24% and will continue declining to zero by 2026. U.S. auto exports have nearly doubled from \$1.1

¹²⁶ Department of Commerce, “Free and Fair Trade for American Workers and Businesses,” April 13, 2017, available at <https://www.commerce.gov/news/blog/2017/04/free-and-fair-trade-american-workers-and-businesses>.

¹²⁷ For more information, see CRS Legal Sidebar WSLG1792, *UPDATE: A Steely Look at Steel: Commerce Directed to Prioritize Investigation of the Effects of Steel Imports on National Security*, by (name redacted).

¹²⁸ 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).

¹²⁹ Office of the U.S. Trade Representative, *Four Year Snapshot: The U.S.-Korea Free Trade Agreement*, March 2016.

billion in 2011 to \$2.2 billion in 2016, such that the United States now exports more cars to South Korea than to Japan, a country with more than twice South Korea's population and a larger GDP/capita. South Korea's auto tariff was reduced from 8% to 4% upon KORUS's entry into force and eliminated in 2016. U.S. exports of services also have increased by nearly \$5 billion since the agreement became effective.

Others argue that the agreement's impact is disappointing, pointing to an increase in the U.S. trade deficit with South Korea since KORUS's entry into force. Despite increased exports in certain products, total U.S. exports to South Korea have not fluctuated much since 2011, while imports have grown by more than 20%, causing the overall trade deficit to increase. The bulk of this growth in the trade deficit stems from auto trade. U.S. goods imports from South Korea increased by about \$13 billion from 2011 to 2016, with auto imports alone accounting for almost \$9 billion of the increase (\$12 billion to \$21 billion). Under KORUS, the 2.5% U.S. car tariff remained in place until January 2016 at which time it was eliminated for most types of cars. Although both U.S. exports and imports of autos have roughly doubled over the period, U.S. exports increased from a much lower base.

Attributing changes in trade flows (both U.S. exports and imports) to the KORUS FTA is difficult. Price changes due to tariff reductions are only one of a number of factors affecting trade. Other factors include fluctuations in the business cycle and growth rates, exchange rates, and the level of aggregate demand. In addition, some provisions of the agreement have yet to take effect and tariffs on certain products continue to phase out. In dollar terms, South Korean goods imports from each of its top three trading partners (China, Japan, and the United States) have declined or been flat since 2011, suggesting slower rates of economic growth in South Korea during that period played a significant role in South Korea's import patterns and hence the growth in the U.S. trade deficit.¹³⁰ Using data from 2015, the U.S. International Trade Commission estimated that without the agreement in place, the U.S. bilateral trade deficit with South Korea would have been even larger.¹³¹

The Trump Administration has criticized the KORUS FTA. In its 2017 Trade Agenda, the Administration noted that the rise in the U.S. trade deficit since the agreement's entry into force "is not the outcome the American people expected from that agreement."¹³² Vice President Pence during a visit to South Korea in April raised concerns over the deficit and continued barriers in the South Korean market and spoke of reforming the KORUS FTA.¹³³ More directly, in a press interview in late April, the President threatened to terminate the agreement if it could not be successfully renegotiated, though he has not yet specified the provisions he would seek to amend.¹³⁴ Most economists argue that trade agreement provisions are unlikely to have a significant effect on the trade balance, as bilateral trade deficits generally reflect broader macroeconomic factors. The Administration has initiated two related investigations on U.S. trade deficit partners and existing U.S. trade agreements, both of which include South Korea. The

¹³⁰ During the period 2011-2016, South Korean merchandise imports from China rose by less than 1% from \$86.4 billion to \$87.0 billion; South Korean merchandise imports from Japan fell from \$68.3 billion to \$47.5 billion. South Korean import data from Global Trade Atlas, accessed March 16, 2017.

¹³¹ USITC, *Economic Impact of Trade Agreements Implemented Under Trade Authorities Procedures*, June 2016, p. 139.

¹³² Office of the U.S. Trade Representative, *2017 Trade Policy Agenda*, p. 6.

¹³³ White House, "Remarks by the Vice President to the US/ROK Business Community," April 16, 2017, available at <https://www.whitehouse.gov/the-press-office/2017/04/18/remarks-vice-president-usrok-business-community>.

¹³⁴ Philip Rucker, "Trump: 'We May Terminate' U.S.-South Korea Trade Agreement," *The Washington Post*, April 28, 2017.

outcomes of these investigations presumably would inform any potential renegotiation of KORUS and Congress would also likely play a major role in that process.

South Korea's implementation of its KORUS FTA commitments has also been an ongoing concern in the bilateral trade relationship. Some in the business community argue that South Korea was slow to implement aspects of the agreement and in some instances has failed to comply with the spirit of the KORUS FTA even if adhering to its precise commitments. Exporters, particularly in the first years of the agreement, complained that the Korean Customs Service required overly onerous origin verifications.¹³⁵ A number of South Korean auto regulations, including on emission standards and most recently repair processes and information disclosure, have also caused concern among U.S. companies regarding the treatment of imported versus domestic products.

In a March 2016 letter to the South Korean Ambassador, Senate Finance Committee Chairman Orrin Hatch raised some of these issues, as well as concerns with the implementation of the data flow commitments, transparency and predictability of pricing and reimbursements of pharmaceuticals and medical devices, and U.S. firms' abilities to invest in and operate with South Korean law firms.¹³⁶ In its 2017 report on trade barriers, the USTR noted industry group claims that the Korean Fair Trade Commission (KFTC), South Korea's competition enforcement agency, has unfairly targeted foreign firms in recent enforcement activities, a potential violation of KORUS obligations on nondiscriminatory treatment.¹³⁷ Despite these challenges with implementation of the agreement, many in the business community emphasize that KORUS provides a formal venue to address bilateral frictions. Through this process and through other forms of engagement, the U.S. government has argued that it has been able to successfully resolve many of the challenges raised.¹³⁸

**Table 1. Annual U.S.-South Korea Trade,
Selected Years**
(billions of U.S. dollars)

Year	U.S. Exports			U.S. Imports			Trade Balance		
	Goods	Services	Total	Goods	Services	Total	Goods	Services	Total
2005	28.6	9.4	38.0	44.2	6.9	51.1	-15.6	2.5	-13.1
2010	39.8	15.5	55.2	49.8	9.3	59.1	-10.0	6.1	-3.9
2011	45.2	16.7	61.9	57.6	9.7	67.3	-12.4	6.9	-5.4
2012*	44.4	18.2	62.5	59.6	10.6	70.2	-15.2	7.5	-7.7
2013	43.5	21.0	64.4	63.0	10.6	73.6	-19.5	10.3	-9.2

¹³⁵ The United States also highlighted this issue in its statement at the WTO Trade Policy Review for South Korea in October 2016.

¹³⁶ 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.

¹³⁷ Office of the U.S. Trade Representative, *2017 National Trade Estimate Report on Foreign Trade Barriers*, 2017, p. 284. Article 16.1 of the KORUS FTA prohibits discriminatory enforcement of competition laws, but is not subject to the agreement's dispute settlement mechanism.

¹³⁸ Office of the U.S. Trade Representative, *2016 Annual Report of the President of the United States on the Trade Agreements Program*, p. 127.

Year	U.S. Exports			U.S. Imports			Trade Balance		
	Goods	Services	Total	Goods	Services	Total	Goods	Services	Total
2014	46.3	20.2	66.5	70.7	10.7	81.4	-24.4	9.5	-14.9
2015	44.4	20.5	64.9	72.4	11.1	83.6	-28.0	9.4	-18.7
2016	42.4	21.6	63.9	70.5	10.9	81.4	-28.1	10.7	-17.5
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 7, and International Transactions Tables, accessed March 8, 2017.

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

(*) The KORUS FTA went into effect on March 15, 2012.

U.S. Withdrawal from TPP and South Korea's FTA Strategy

In January 2017, the United States notified TPP partners that it did not intend to pursue ratification of the TPP FTA.¹³⁹ TPP was signed by 12 countries, including the United States, Japan, and other major South Korean trading partners, in February 2016.¹⁴⁰ It requires ratification by each member before it can become effective, including implementing legislation in the United States, submitted by the President and considered by Congress. The Trump Administration's announcement effectively ends the U.S. ratification process for the time being and the possibility of TPP's entry into force in its current form. The agreement included commitments to eliminate and reduce tariffs, expand quotas, and establish disciplines on investment, intellectual property rights, labor and environmental protections, and a range of other trade-related issues.¹⁴¹

South Korea was not a signatory of the TPP, but had signaled "interest" in joining. As an existing FTA partner with the United States, a strong advocate for bilateral and regional trade agreements, and a heavily trade-dependent nation, South Korea was arguably the most obvious candidate for possible accession to the potential TPP. Now that the United States has withdrawn from the agreement, regional integration efforts and South Korea's FTA negotiating strategy could take a number of different forms. For its part, the U.S. government has announced its intent to focus on bilateral negotiations beginning with an examination of existing U.S. FTAs. The first priority is renegotiation of the North American Free Trade Agreement (NAFTA) with Canada and Mexico, possibly followed by bilateral negotiations, including with TPP signatories, especially Japan. The remaining 11 TPP countries have expressed their interest in moving forward with the agreement without the United States, while remaining open to additional participants in the future. Chile hosted the TPP signatories as well China, Colombia, and South Korea March 14-15 to discuss the future of regional integration efforts following the U.S. withdrawal from TPP. On the sidelines of the May Asia-Pacific Economic Cooperation (APEC) ministerial meeting in Vietnam, the TPP-11 countries agreed to examine by November how to bring the agreement into force for the remaining participants.¹⁴²

Aside from TPP, other trade negotiations continue to move forward in the region, many with South Korea's participation. The Regional Comprehensive Economic Partnership (RCEP) trade negotiations have been of particular interest to policymakers given its broad membership of 16 East and Southeast Asian countries, including South Korea, China, India, and several TPP countries including Japan, Australia, and New Zealand, but not the United States. During the debate over the TPP, U.S. proponents argued that it provided an opportunity for the United States to lead in crafting the region's trade rules, with RCEP often presented as a potential alternative and Chinese-led approach. South Korea has negotiated several bilateral FTAs in addition to KORUS, as part of its strategy to make it a "linchpin" of accelerated economic integration in the region.¹⁴³ South Korea entered into an FTA with the European Union in 2011, with China in 2014, and with Australia in 2015, and recently agreed to launch FTA negotiations with Mercosur, the South America trading bloc that includes Argentina, Brazil, Paraguay, and Uruguay.

South Korea's Economic Performance

South Korean firms rely heavily on international markets, with exports in recent years accounting for roughly half of South Korean GDP.¹⁴⁴ This level of integration makes the country particularly susceptible to fluctuations in the global economy, as seen during the global financial crisis that began in 2008. South Korea's real GDP growth declined to 0.7% in 2009 as the world economy dipped into deep recession. Growth 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 3**).

¹³⁹ For more information see, CRS Insight IN10646, *The United States Withdraws from the TPP*, by (name redacted) and (name redacted).

¹⁴⁰ The TPP signatories are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. For more, see CRS In Focus IF10000, *TPP: Overview and Current Status*, by (name redacted) and (name redacted).

¹⁴¹ CRS Report R44489, *The Trans-Pacific Partnership (TPP): Key Provisions and Issues for Congress*, coordinated by (name redacted) and (name redacted).

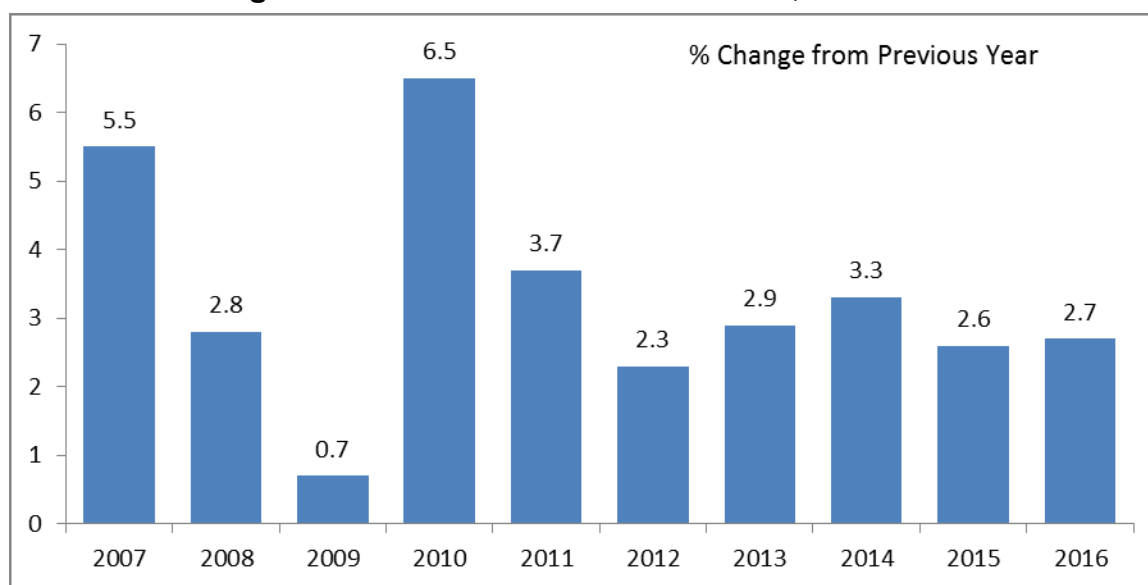
¹⁴² New Zealand Trade Ministry, "Trans-Pacific Partnership (TPP) Ministerial Statement," press release, May 21, 2017.

¹⁴³ Ministry of Trade, Industry, and Energy Press Release 436, "Korea Outlines New Trade Policy Direction," June 25, 2013.

¹⁴⁴ Calculated using South Korean trade and GDP data sourced through stats.oecd.org, accessed 3/19 2017.

However, South Korea remains vulnerable to a slowdown in its major export markets: China, the United States, the European Union, and Japan. The government has used a mixture of monetary and fiscal stimulus over the past several years to support the domestic economy. Most recently, in June 2016, the former Park government announced a \$17 billion stimulus package.¹⁴⁵ The same month, the Bank of Korea cut South Korea's base interest rate to a record-low 1.25%, where it has remained since, citing continued decline in exports and weak domestic demand.¹⁴⁶

Figure 3. South Korea's Real GDP Growth, 2007-2016



Source: Bank of Korea.

South Korea's post-2008-crisis average growth of around 3% is two percentage points lower than its 5% average during the decade leading up to the crisis. This lower growth is 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 sector in the Korean economy.¹⁴⁷ 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 attempted to address some of these issues through its reform initiatives to varying effect, but disagreements among the South Korean government, industry, and union leaders over the nature of labor reforms stalled the process.¹⁴⁸

Slower economic growth has exacerbated longstanding tensions in South Korea over inequality and privileges of the elite class. These factors may also have played a role in the South Korean public's outrage at the presidential corruption scandal, which included allegations of special treatment for individuals associated with the Park Administration. The activities and employment

¹⁴⁵ "South Korea Plans Stimulus Boost in Wake of Brexit," *Financial Times*, June 28, 2016.

¹⁴⁶ Bank of Korea, "Monetary Policy Decision," June 9, 2016.

¹⁴⁷ Lee Jong-Wha, "Starting South Korea's New Growth Engines," *Project Syndicate*, January 26, 2015.

¹⁴⁸ "South Korea Impasse Delays Labour Market Shake-Up," *Financial Times*, February 24, 2016.

patterns of South Korea's large conglomerates (called *chaebol*) also contribute to narratives about inequality, as the *chaebol* employ a small share of South Korea's population despite producing an outsized share of the country's GDP.¹⁴⁹ *Chaebol* leaders are also sometimes described by critics as behaving as though they are above the law with several involved in various corruption charges, including the recent indictment of Samsung's head, Lee Jae-yong, over charges of bribery to the Park Administration.¹⁵⁰ Fiscal measures to address inequality face a number of headwinds. South Korea has one of the lowest rates of social welfare spending in the industrialized world, highly indebted average households, and a rapidly aging population that is expected to create additional financial pressures on government expenditures in the future.

Currency Issues

Given its dependence on international trade, South Korea's economy can be significantly affected by fluctuations in currency valuations. 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 more 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%, though it has regained some of its value against both currencies since. The *yen*'s devaluation has been in part 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 proved politically unpopular with its trade partners, including the United States and South Korea.¹⁵¹

Over the years, South Korean exchange rate policies periodically have been a source of consternation in U.S.-South Korea relations, with some observers arguing that South Korea has artificially depressed the value of the *won* in order to gain a trade advantage by making its exports cheaper in other countries' markets.¹⁵² In its April 2017 report to Congress on exchange rates, the Department of the Treasury estimated that in the second half of 2016, on net South Korea intervened in foreign exchange markets primarily to limit the *won*'s depreciation, selling an estimated \$6.6 billion in foreign exchange. The report still urges South Korea to limit its interventions and to be more transparent in its foreign exchange operations (South Korea does not publicly report its interventions in foreign exchange markets).¹⁵³ The report also found South Korea to satisfy two of the three criteria, established in the Trade Facilitation and Enforcement Act of 2015, for more intensive engagement on currency policy by the Treasury Department.¹⁵⁴ South Korea had both a significant trade surplus and material current account surplus with the United States, but it did not satisfy the third criteria of large persistent one-sided intervention in foreign exchange markets.

¹⁴⁹ "South Korea's Chaebol Problem," *Globe and Mail*, April 24, 2015.

¹⁵⁰ Peter Pae, "South Korea's Chaebol," *BloombergQuickTake*, March 10, 2017.

¹⁵¹ Kim Seon-gul, "Park Criticizes Weakening Yen," *mk Business News*, November 18, 2014.

¹⁵² For more information, see CRS Report R43242, *Current Debates over Exchange Rates: Overview and Issues for Congress*, by (name redacted).

¹⁵³ U.S. Department of the Treasury, *Foreign Exchange Policies of Major Trading Partners of the United States*, April 14, 2017. The U.S. government also has raised concerns about Japan's exchange rate policies in the past. Unlike South Korea, however, Japan has not actively intervened in foreign exchange markets since 2011.

¹⁵⁴ The other five economies on the monitoring list were China, Germany, Japan, Switzerland, and Taiwan.

South Korean Membership in the AIIB

South Korea is a founding member of the Asian Infrastructure Investment Bank (AIIB). The AIIB is a new China-led multilateral development bank consisting of over 50 countries.¹⁵⁵ South Korea's announcement that it intended to join the bank, along with 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.¹⁵⁶ The AIIB has generated controversy. Some analysts say it will help Asian countries meet their infrastructure investment needs. However, some analysts and policymakers 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 Nonproliferation Cooperation

Bilateral Nuclear Energy Cooperation

The United States and South Korea have cooperated in the peaceful use of nuclear energy for nearly 60 years.¹⁵⁷ 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."¹⁵⁸ The agreement provides the legal foundation for nuclear trade between the countries; it provides the legal foundation for export licensing.¹⁵⁹ 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 2015.¹⁶⁰ 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, DC, former President Park described the civilian nuclear cooperation agreement as one of the three "major institutional frameworks of our alliance," alongside the U.S.-South Korea Mutual Defense Treaty and the KORUS FTA.¹⁶¹

The agreement provides for a new high-level bilateral commission (HLBC) where the two sides would review cooperation under the agreement. The HLBC held its most recent meeting in January 2017, in Washington, DC. The commission is to "serve as a senior-level forum to

¹⁵⁵ For more on the AIIB, see CRS Report R44754, *Asian Infrastructure Investment Bank (AIIB)*, by (name redacted) .

¹⁵⁶ "The Asian Infrastructure Investment Bank," *Economist*, March 17, 2015.

¹⁵⁷ 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)

¹⁵⁸ 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).

¹⁵⁹ 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).

¹⁶⁰ "China, S.Korea Nuclear Pacts Advance," *Arms Control Today*, May 5, 2015.

¹⁶¹ "Her Excellency President Park Geun-hye: Statesmen's Forum Address at the Center for Strategic and International Studies," October 15, 2015.

facilitate strategic dialogue and technical exchanges on peaceful nuclear cooperation between the two countries.” It provides a discussion forum about “management of spent nuclear fuel, the promotion of nuclear exports and export control cooperation, assurances of nuclear fuel supply, and nuclear security.”¹⁶² There are four working groups: spent fuel management, the promotion of nuclear exports and export control cooperation, assured fuel supply, and nuclear security.¹⁶³ The HLBC meeting was co-chaired by U.S. Deputy Secretary of Energy Elizabeth Sherwood-Randall and Second Vice Minister of Foreign Affairs Ambassador Ahn Chong-ghee.

Both countries have called the new 123 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.” Former 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.”

The future of fuel cycle technology in South Korea was a contentious issue during the negotiation of the new Section 123 agreement. The United States has a long-term nonproliferation policy of discouraging the spread of fuel cycle (enrichment and reprocessing) technology to new states.¹⁶⁴ This is because enrichment and reprocessing can create new fuel or material for nuclear weapons. Many South Korean officials and politicians see U.S. policy as limiting South Korea’s national sovereignty by requiring U.S. permission (as required under U.S. law) for the use of U.S.-obligated fuel in certain sensitive civilian nuclear activities. The two countries resolved earlier disagreements over these issues. 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 through the bilateral commission 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. Enrichment at low levels can be used for nuclear fuel. The agreement also includes U.S. fuel supply assurances.

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 decade, 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

¹⁶² “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>

¹⁶³ “Co-Chairs of the United States-Republic of Korea High Level Bilateral Commission Convene in Washington,” Department of Energy news release, January 11, 2017.

¹⁶⁴ For more, see CRS Report RS22937, *Nuclear Cooperation with Other Countries: A Primer*, by (name redacted) and (name redacted).

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 transfer for joint pyroprocessing work in the United States took effect as part of the Joint Fuel Cycle Study.¹⁶⁵

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.

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. 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.¹⁶⁶ South Korea is a member of the

¹⁶⁵ *Federal Register*, Vol. 708, No. 105, May 31, 2013.

¹⁶⁶ South Korea has not recognized this stockpile publicly, and chose to destroy the weapons under the CWC (continued...)

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, the International Atomic Energy Agency (IAEA) voluntary fund and 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, some debate 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 continued 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.

(...continued)

confidentiality provisions. "South Korea Profile," *Nuclear Threat Initiative*, <http://www.nti.org/country-profiles/south-korea/>.

South Korean Politics

From 2008 to 2016, South Korean politics were dominated by South Korea's leading conservative party, the Saenuri ("New Frontier") Party (NFP). Saenuri and its predecessor party controlled the legislature for nearly that entire time span, and won the presidency in 2007 and 2012 elections. Park Geun-hye (born in 1952) was elected President 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. 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. Park was impeached by the National Assembly in December 2016 and removed from office in March 2017.

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. In 2016 and 2017, President Park's removal from office and the Choi Soon-sil scandal revived a long-simmering argument that constitutional reform is necessary to reduce the President's powers.

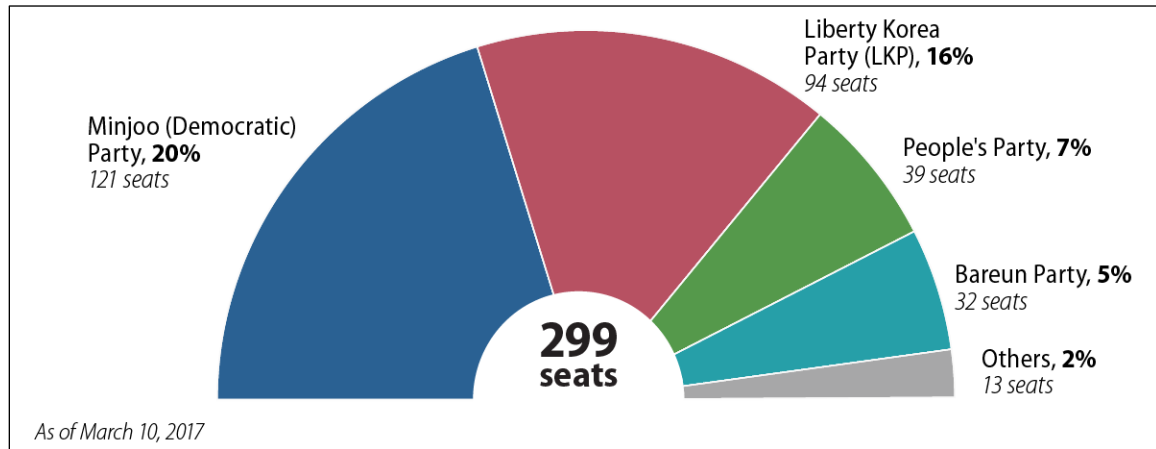
Political Parties

Presently, there are four major political parties in South Korea.

- **The Minjoo (Democratic) Party** is South Korea's largest party and its main progressive party. Minjoo and its predecessor parties have advocated positions that, if adopted, could pose challenges for U.S. Korea policy, including adopting a more conciliatory approach to North Korea and opposing South Korea-Japan agreements over intelligence sharing and the comfort women. Minjoo's surprise victory in April 2016 legislative elections gave it control of the legislature for the first time since 2008. Over the previous eight years, Minjoo's predecessor parties splintered and merged with other parties on multiple occasions, adopting at least three new names in the process. Minjoo's predecessors controlled the Blue House from 1998 to 2008, and the National Assembly from 2004 to 2008.
- **The Liberty Korea Party (LKP**, sometimes translated as the Freedom Korea Party) is a conservative grouping and is South Korea's second-largest party. It was formed in late December 2016 after Park's former Saenuri Party split.
- **The People's Party** is South Korea's third-largest grouping and was formed in early 2016 among former Minjoo Party members led by entrepreneur and onetime presidential candidate Ahn Cheol-soo. The People's Party's positions on North Korea tend to lie between the conservative parties and the Minjoo Party, favoring more engagement than the former but tougher measures than the latter.
- **The Bareun (Righteous) Party** is a conservative grouping formed after Saenuri's breakup in 2016. It is composed of many politicians long opposed to Park.

U.S. ties historically have been stronger with South Korea's conservative parties.

Figure 4. Party Strength in South Korea's National Assembly



Source: South Korean National Assembly.

Notes: National Assembly elections are held every four years and were last held in April 2016. South Korea's next presidential election is scheduled for May 2022. By law, South Korean presidents are limited to one five-year term.

South Korean Presidential Changes from 1988 to 2012

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 former President Park Geun-hye'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 antigovernment 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, for whom current President Moon Jae-in served as chief of staff, 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 noncombat 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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