

Updated January 29, 2019

South Korea: Background and U.S. Relations

Overview

South Korea (officially the Republic of Korea, or ROK) is one of the United States' most important strategic and economic partners in Asia. The U.S.-ROK Mutual Defense Treaty, signed in 1953 at the end of the Korean War, commits the United States to help South Korea defend itself, particularly from North Korea (officially the Democratic People's Republic of Korea, or DPRK). Approximately 28,500 U.S. troops are based in the ROK, which is included under the U.S. "nuclear umbrella." The U.S.-ROK economic relationship is bolstered by the U.S.-South Korea 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, behind China.

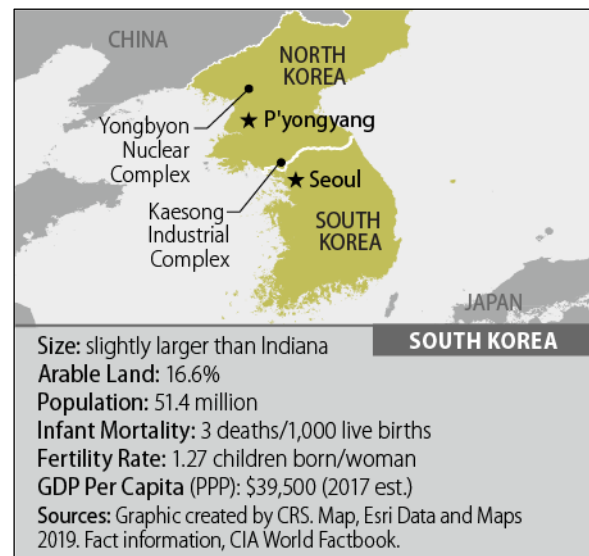
After several years of close coordination, notably on North Korea, collaboration between the United States and South Korea has become more inconsistent and unpredictable under the administrations of Donald Trump and Moon Jae-in. Moon, a progressive, was elected in May 2017 after a decade of conservative rule in South Korea. On the one hand, the two leaders have found a number of areas of agreement and cooperation. In 2018, Trump and Moon reached an agreement over modifications to the six-year-old KORUS FTA. They also have aligned aspects of their approaches toward North Korea, with both pursuing a rapprochement with Pyongyang. The outreach has included a Moon-brokered June 2018 summit in Singapore between Trump and DPRK leader Kim Jong-un, the first time leaders of the two countries have met, as well as three summits between Moon and Kim since April 2018. In these summits, inter-Korean relations have blossomed and Kim has pledged to "work toward complete denuclearization" if the United States takes "corresponding measures." After months of stalled U.S.-DPRK negotiations, Trump in January 2019 said he and Kim will meet again, likely in late February.

On the other hand, Washington and Seoul reportedly have made significant unilateral policy decisions without any or much prior consultation or coordination with each other. Critical differences remain on policy issues like whether and under what conditions to offer concessions to North Korea and how to share costs associated with the U.S.-ROK alliance. Some observers see a possible disconnect between U.S. and ROK priorities. Seoul has tended to emphasize creating a new peace regime and relaxing sanctions at the outset of negotiations (both of which also appear to be DPRK priorities). Washington has stressed denuclearization and delaying sanctions relief until Pyongyang denuclearizes. The U.S.-ROK military alliance also appears to be under some stress: despite months of negotiations, the burden-sharing agreement that divides costs associated with hosting U.S. troops expired at the end of 2018. With the

status of cost-sharing uncertain and President Trump's stated preference to bring the troops home, some observers see a risk that the alliance could fundamentally shift. Potential tariff hikes on U.S. imports of autos and auto parts, including from South Korea, has also strained the relationship. The Trump Administration's tendency to change policy positions unexpectedly adds another element of uncertainty.

North Korea Policy Coordination

North Korea is the dominant strategic concern within the U.S.-South Korea relationship. In 2016 and 2017, North Korea conducted scores of missile tests and three nuclear weapons tests, demonstrating major strides in the ability to strike the continental United States with a nuclear-armed ballistic missile. The Obama and Trump Administrations responded by expanding multilateral and unilateral sanctions against North Korea.



Moon supported Trump's "maximum pressure" campaign, but also retained his longstanding preference for engaging Pyongyang. During 2017, Trump Administration officials, including the President, emphasized the possibility of launching a preventive military strike. This possibility, which would risk triggering a North Korean retaliation against South Korea, appears to have convinced Moon that the United States, rather than North Korea, represented the greatest immediate threat to South Korean security. The combination of the fear of war, an ideological preference for engagement, and a belief that South Korea should shape the future of the Korean Peninsula drove Moon to improve inter-Korean relations and broker U.S.-DPRK talks. Kim Jong-un made these moves possible in early 2018 by dropping his belligerent posture and embarking on a "charm offensive." Differences between Washington and Seoul

over the proper mix and timing of concessions to offer and pressure to apply on Pyongyang have strained U.S.-ROK coordination at times. In November 2018, the United States and ROK created a bilateral working group to improve coordination.

U.S.-South Korea Security Relations

In addition to the presence of U.S. troops, South Korea is included under the U.S. “nuclear umbrella” (also known as “extended deterrence”), and pays for about 50% (over \$800 million annually) of the total non-personnel costs of the U.S. troop presence in South Korea. In their talks over a new burden-sharing agreement, called the “special measures agreement” talks, Washington reportedly has demanded Seoul increase its contribution by at least 50%. President Trump’s sharp criticism of European allies’ contributions to NATO also has raised concerns in Seoul about the U.S. commitment to the alliance. His decision to facilitate talks with North Korea by suspending major U.S.-ROK military exercises has raised questions about the allies’ ability to maintain their state of readiness.

The U.S. military is in the process of relocating its forces farther south from bases near the border with North Korea, with South Korea paying \$9.7 billion for construction of new large-scale military facilities. The recently-opened Camp Humphries is the largest overseas U.S. base in the world. In 2016, North Korea’s nuclear and missile tests led the two governments to agree to deploy the U.S. Terminal High Altitude Area Defense (THAAD) ballistic missile defense (BMD) system in South Korea. China protested the THAAD deployment and retaliated against South Korean companies and economic interests. In July 2017, President Moon at first delayed finishing the deployment but then reversed himself after one of North Korea’s long-range missile tests. Moon later repaired ties with China by promising not to accept any more THAAD deployments.

South Korea’s Regional Relations

China’s influence in the region figures prominently in South Korea’s foreign and economic policy. North Korea’s growing economic dependence on China since the early 2000s has compelled South Korea increasingly to factor Beijing’s actions and intentions into its North Korea policy. China is South Korea’s largest trading partner and destination for foreign direct investment. In general, South Korea tries to avoid taking steps that might antagonize China, as evidenced by South Korea’s cautious approach to the THAAD deployment.

Ties with Japan continue to be tense over historical issues stemming from Japan’s colonization of the Korean Peninsula from 1910 to 1945. Three events in 2018 and early 2019 caused ROK-Japan relations to decline precipitously: multiple incidents involving Japanese reconnaissance planes and South Korean naval vessels; South Korean Supreme Court rulings that Japanese firms should compensate South Koreans for forced labor during Japan’s occupation; and Moon’s steps to weaken implementation of a 2015 ROK-Japan agreement over “comfort women” who were forced to provide sexual services to Japanese soldiers during the 1930s and 1940s. Trilateral security cooperation on North Korea policy

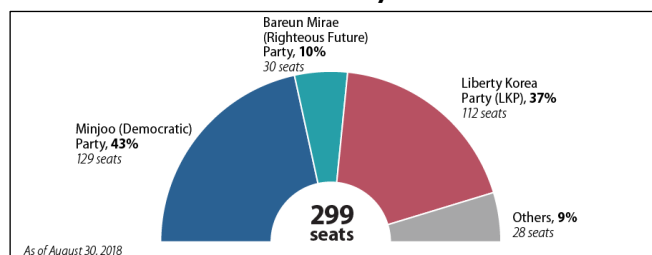
among the United States, Japan, and South Korea has become more difficult during this time of rising ROK-Japan tensions, which coincides with Seoul and Washington’s rapprochement with Pyongyang.

U.S.-South Korea Economic Relations

In 2017, bilateral trade totaled \$156 billion in goods and services. Since the 2012 KORUS FTA’s entry into force, bilateral trade and investment flows have increased with U.S. services exports (+\$7.5 billion) and auto imports (+\$8.5 billion) seeing the largest gains. Though many U.S. businesses highlight improved market access and an improved mechanism for dispute resolution, the rise of the bilateral trade deficit, as well as concerns over Seoul’s FTA implementation, have caused some criticism of the pact. An increase in U.S. exports to South Korea in 2017 led to a \$7 billion decline in the bilateral U.S. trade deficit, but at \$9.3 billion it remained 70% larger than its pre-FTA 2011 value.

In 2018, at the request of the Trump Administration, the two countries negotiated modifications to the KORUS FTA. South Korea agreed to a number of concessions, most prominently on bilateral trade in motor vehicles, including an extension of U.S. light truck tariffs. Although President Trump characterized the changes, which took effect January 1, 2019, as a “basic redoing” of the agreement, most analysts agree that the modifications are relatively limited in scope and unlikely to fundamentally alter the balance of commitments. Unlike proposed modifications to the U.S. trade agreement with Canada and Mexico, the modified KORUS FTA does not explicitly exempt auto imports from potential Section 232 tariffs—a pending investigation under Section 232 of the Trade Expansion Act of 1962 could lead to increased tariffs on all U.S. auto and parts imports. Autos and auto parts are consistently the largest U.S. import from South Korea (\$23.9 billion in 2017), and enter duty-free under the KORUS FTA. In addition to the U.S. auto tariff threat, an existing steel quota and increased tariffs on aluminum, washers, and solar panels, continue to add tension to the trading relationship.

Figure 1. Party Strength in South Korea’s National Assembly



Notes: President Moon belongs to the Minjoo Party. 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. South Korean presidents are limited to one five-year term.

Mark E. Manyin,
Emma Chanlett-Avery,
Brock R. Williams,

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