



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), and the alliance has given the United States a partner and a forward presence in Asia that help it promote U.S. interests in East Asia. Approximately 28,500 U.S. troops are based in the ROK. 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.

Policy cooperation between the United States and South Korea has been inconsistent under the administrations of Donald Trump and Moon Jae-in. Moon, a progressive, was elected in May 2017 after a decade of conservative rule. On the one hand, Moon and Trump have aligned aspects of their approaches toward North Korea, with both pursuing a rapprochement with Pyongyang in 2018 and 2019. They also navigated a potentially major trade dispute by agreeing in 2018 to relatively minor revisions to the KORUS FTA.

On the other hand, underlying tensions have begun to surface. The U.S.-ROK “Special Measures Agreement” (SMA) on how to divide the costs of basing U.S. troops in South Korea expires at the end of 2019. The Trump Administration has demanded Seoul increase its payments by 400%, and Trump publicly said it is debatable whether the U.S. troop presence is in U.S. interests. Latent disagreements over North Korea policy also may flare up, particularly if U.S.-North Korea relations return to an antagonistic state. Trump’s tendency to change policy unexpectedly adds a further element of uncertainty to U.S.-ROK relations.

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 its 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.

After taking office in May 2017, Moon supported Trump’s “maximum pressure” campaign, but also retained his longstanding preference for engaging Pyongyang. During 2017, Trump Administration officials, including the President, repeatedly raised the possibility of launching a

preventive military strike, which could have triggered DPRK retaliation against South Korea. 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 push for U.S.-DPRK talks.



In 2018, DPRK leader Kim Jong-un declared “victory” in developing nuclear warhead and ICBM capability, said he would suspend nuclear testing, and signaled his willingness to engage in talks with the United States and South Korea. Kim and Moon met three times during the year, both before and after Kim’s summit with Trump in Singapore in June, a meeting Moon brokered. During his diplomatic outreach, Kim pledged to: “work toward complete denuclearization of the Korean Peninsula;” not conduct nuclear or long-range missile tests while dialogue with the United States continues; and allow the “permanent dismantlement” of North Korea’s Yongbyon nuclear site. He and Moon also negotiated a military confidence-building arrangement.

Kim and Trump met again in Hanoi in February 2019, but the negotiations collapsed due to differences over the scope and sequencing of concessions, specifically North Korean denuclearization measures in exchange for sanctions relief. Despite a third Trump-Kim meeting for one hour in June 2019, U.S.-DPRK and inter-Korean diplomacy has stalled. Moreover, since May 2019, North Korea has conducted multiple short-range ballistic missile tests in violation of United Nations prohibitions. Since the Hanoi summit, North Korea also has refused to interact with South Korea, despite Moon’s efforts. Kim has warned that he will only wait until the end of 2019 to see if the United States offers more sanctions relief and security guarantees, raising the possibility that the DPRK will resume major provocations.

Under Moon, Seoul generally has favored offering more and earlier concessions to Pyongyang than Washington. International and U.S. sanctions prevent Moon from doing more without U.S. approval, further contributing to periodic tensions. In late 2018, the United States and ROK created a working group that has helped improve coordination, but significant disagreements in approach remain.

U.S.-South Korea Security Issues

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 traditionally has paid for about 50% (over \$800 million annually) of the total non-personnel costs of the U.S. military presence, according to congressional testimony by U.S. military officials. U.S. and ROK negotiators are currently in talks to renew the existing SMA agreement, which will expire on December 31, 2019. Given ROK resistance to the Trump Administration’s desire for a fivefold increase in ROK payments, it is likely that the current agreement will expire and talks will extend into 2020 and require a new framework for burden-sharing. The SMA needs to be approved by the ROK National Assembly, and the ROK public is strongly opposed to meeting the U.S. demand, according to opinion polls.

President Trump’s demands for a steep increase in ROK contributions, paired with his criticism of the value of other U.S. alliances has raised concerns in Seoul about U.S. security commitments. To facilitate talks with the DPRK, Trump canceled major U.S.-ROK military exercises, leading to questions about the alliance’s readiness.

The U.S. military is relocating its forces farther south from the border with North Korea, with South Korea paying \$9.7 billion—about 94% of total costs—to construct new military facilities. The U.S. departure from these bases, particularly one in Seoul, will allow for the return of valuable real estate to South Korea. The recently opened Camp Humphreys is the world’s largest overseas U.S. base.

South Korea’s Regional Relations

Because of North Korea’s growing economic dependence on China since the early 2000s, South Korea calibrates its North Korea policy with an eye on Beijing’s relations with Pyongyang. China is South Korea’s largest trading partner and destination for foreign direct investment (FDI), and Beijing has in the past punished South Korean companies when it disagrees with Seoul’s policy decisions. For these and other reasons, South Korea generally tries to avoid antagonizing China. An exception was Seoul’s 2016 decision to deploy a U.S. missile defense system in South Korea. China responded by enacting economic measures that have cost ROK companies billions of dollars.

Ties with Japan are perennially fraught because of sensitive historical issues stemming from Japan’s colonization of the Korean Peninsula from 1910 to 1945. Four events in 2018 and 2019 damaged ROK-Japan relations: Moon’s steps to effectively terminate a 2015 ROK-Japan agreement on “comfort women” who were forced to provide sexual services to Japanese soldiers during the 1930s and 1940s; South Korean Supreme Court rulings that Japanese firms should compensate South Koreans for forced labor during

Japan’s occupation; Japan’s June 2019 imposition of procedural hurdles on exports to South Korea of key technology materials; and South Korea’s August 2019 decision to abandon a ROK-Japan military intelligence-sharing pact. This final move threatened to further erode U.S.-ROK-Japan security cooperation. After heavy U.S. pressure, Seoul in November 2019 agreed to delay its withdrawal from the agreement. Many analysts have criticized the U.S. for not exerting such pressure earlier to prevent ROK-Japan relations from deteriorating.

U.S.-South Korea Economic Relations

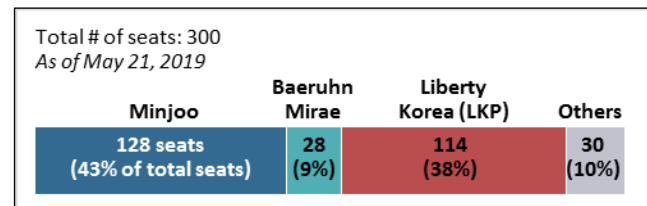
In 2018, U.S. goods and services exports to the ROK totaled \$82.0 billion, while imports totaled \$87.3 billion. Since the 2012 KORUS FTA’s entry into force, bilateral trade flows have increased, with U.S. services exports (+\$7.9 billion to \$24.6 billion in 2018) and auto imports (+\$6.9 billion to \$22.4 billion in 2018) seeing the largest gains. FDI also increased markedly from 2012 to 2018, with the stock of South Korean FDI in the United States more than doubling to \$58.3 billion and U.S. FDI to South Korea increasing by one-third to \$41.5 billion.

In 2018, at Washington’s request, the two countries negotiated limited modifications to the KORUS FTA. South Korea agreed to a number of concessions, most prominently a delay until 2041 in reductions to U.S. light truck tariffs. Conclusion of these negotiations and the Trump Administration’s decision to target potential Section 232 auto import restrictions on Japan and the European Union rather than South Korea, has somewhat eased bilateral trade tensions. A number of U.S. import restrictions on South Korean products, including steel, aluminum, washing machines and solar products, however, continue to add friction to the trading relationship.

South Korean Politics

Moon belongs to the Minjoo Party, which controls a plurality of seats in South Korea’s National Assembly. The next National Assembly elections are scheduled for April 2020. Moon’s approval ratings have fallen from about 60% during his first year in office to the 40%-50% range, due in part to discontent over South Korea’s slowing economic performance and political scandals in his Cabinet. The next presidential election is scheduled for May 2022. South Korean presidents are limited to one five-year term.

Figure 1. South Korea’s National Assembly



Source: National Assembly of South Korea.

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