

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). The alliance also helps the United States to promote its interests in East Asia and around the globe, including through South Korean contributions of troops to U.S.-led military operations. Approximately 28,500 U.S. troops are based in the ROK. The economic relationship is bolstered by the U.S.-South Korea Free Trade Agreement (KORUS FTA), implemented in 2012. In 2021, South Korea was the United States' seventh-largest trading partner (goods and services trade combined), and the United States was South Korea's second-largest trading partner, behind China.

In March 2022, South Koreans narrowly elected former chief prosecutor Yoon Suk-yeol as their next president. Yoon, who represents the conservative People Power Party (PPP), succeeded president Moon Jae-in from the progressive Minjoo (Democratic) Party. Yoon says he wants to transform South Korea into a "global pivotal state" by raising its profile beyond the Korean Peninsula, by playing a larger role in regional groupings, and by becoming a more active partner in the United States' Indo-Pacific strategy. Ten days after Yoon's May 2022 inauguration, President Biden visited South Korea. In addition to discussing ways to cooperate on North Korea policy, Biden and Yoon broadened the aperture of bilateral cooperation around the globe, announcing steps to deepen cooperation on pandemic prevention, space, and climate change. They also took steps to integrate South Korean companies more fully into U.S. efforts to promote technological development and supply chain resiliency. South Korea became one of 14 inaugural negotiating partners in the U.S.-led Indo-Pacific Economic Framework for Prosperity (IPEF) initiative, a proposed new trade and economic arrangement.

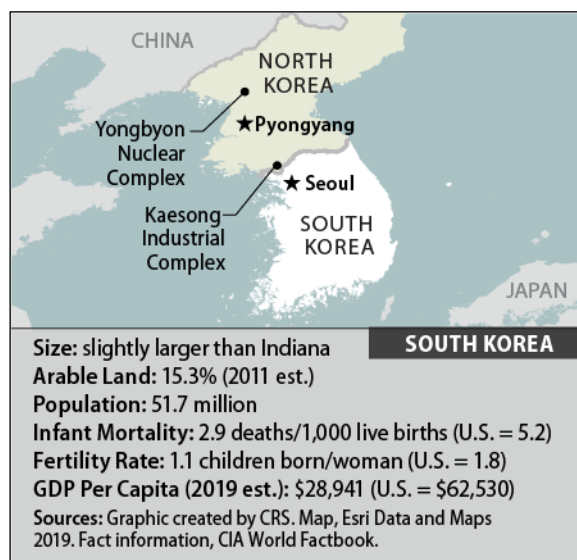
North Korea Policy Coordination

North Korea is the dominant strategic concern in the U.S.-South Korea relationship. Following the collapse of former President Trump's diplomatic efforts with North Korean leader Kim Jong-un in 2019, Pyongyang largely has ignored U.S. and South Korean outreach, including humanitarian aid offers, and has severed all overt inter-Korean communication channels for extended periods. Since the start of 2022, North Korea has conducted over 20 missile tests, including multiple tests of intercontinental ballistic missiles (ICBMs), which are capable of delivering nuclear warheads. These ICBM test-launches, North Korea's first since November 2017, ended Kim's self-declared ICBM test moratorium. Analysts expect North

Korea in 2022 to conduct its 7th nuclear weapons test, and first since September 2017. (In 2018, Kim had also announced a moratorium on further nuclear tests.) North Korea also conducts cyberattacks around the globe.

Whereas the previous Moon government had emphasized diplomacy with North Korea, Yoon and Biden have emphasized deterrence. They reactivated a high-level consultation group on extended deterrence under the U.S. nuclear umbrella and announced their intent to expand the scope and scale of combined military exercises. Trump and Moon had curtailed the exercises since June 2018. At the May 2022 Biden-Yoon summit, the United States also committed to deploy strategic assets such as stealth fighter jets in a "timely and coordinated manner as necessary." In June, the allies staged combined military exercises that included a U.S. aircraft carrier for the first time in over four years.

The Biden Administration has stated it is pursuing a "calibrated, practical approach that is open to and will explore diplomacy with North Korea" while retaining U.S. and international sanctions to achieve the eventual "complete denuclearization of the Korean Peninsula." This appears to envision incrementally offering partial sanctions relief in exchange for partial steps toward denuclearization.



U.S.-South Korea Security Issues

The Biden Administration has worked to repair the alliance. It had been strained during the Trump years, prompting Congress to impose conditions (via the National Defense Authorization Act) on Trump's power to withdraw U.S. troops from South Korea. In February 2021, the Biden Administration concluded a cost-sharing negotiation with South Korea that boosted South Korea's contribution to alliance costs by 13.9%. The ROK 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.

Washington and Seoul have been adapting the alliance to recognize South Korea's increased capabilities and desire for greater autonomy. For over a decade, they have been preparing to transfer wartime operational control (OPCON) to a binational command led by an ROK general with a U.S. deputy. Under the existing arrangement, South Korean soldiers would be under a binational command led by a U.S. general in the event of war. The two sides have established conditions and benchmarks to demonstrate that the ROK can assume wartime OPCON, including improved ROK capabilities to lead combined forces and counter the DPRK nuclear and missile threat, and a security environment on the Peninsula conducive to a transfer.

Additionally, U.S. forces in the ROK have consolidated their presence, in part to return land to South Korea. South Korea has paid \$9.7 billion—about 94% of total costs—to construct new facilities such as the recently opened Camp Humphreys, the largest overseas U.S. base. Another example of alliance adaptation is a May 2021 decision to terminate the bilateral Missile Guidelines agreement, originally signed in 1979, which limited the range of South Korean ballistic missiles to 800 km (497 miles).

Reaction to Russia's Invasion of Ukraine

Following Russia's February 2022 invasion of Ukraine, South Korea imposed sanctions against Russia and has offered \$100 million in humanitarian aid and non-lethal equipment to Ukraine. The Yoon government reportedly has begun discussions on selling arms to countries such as Poland and Canada to help them replace equipment sent to assist Ukraine. Yoon also joined a June 2022 NATO summit in Madrid, a first for a South Korean leader. South Korea did not impose sanctions on Russia following its 2014 invasion of Crimea.

South Korea's Regional Relations

Because of both North Korea and South Korea's economic dependence on China, Seoul calibrates its North Korea policy with an eye on China-DPRK relations. China is South Korea's largest trading partner and second-largest destination for foreign direct investment (FDI). In the past, Beijing has imposed retaliatory economic measures on South Korean companies for Seoul's policy choices. Moon and Yoon signed on to language expressing concern about stability in the Taiwan Strait in joint statements with President Biden, and public opinion in South Korea also has turned more negative toward China. Yoon has indicated interest in participating in the vaccine, climate change, and emerging technology working groups established by the Quadrilateral Security Dialogue—also known as “the Quad”—among Australia, India, Japan, and the United States, despite China's criticism of the Quad.

ROK-Japan relations are perennially fraught because of sensitive legacy issues from Japan's colonization of the Korean Peninsula from 1910 to 1945. Since 2018, a series of actions and retaliatory countermeasures by both governments involving trade, security, and history-related controversies caused South Korea-Japan relations to plummet, eroding U.S.-ROK-Japan policy coordination. With encouragement from the Biden Administration, Tokyo

and Seoul have taken incremental steps to reverse this trend by attending multiple high-level trilateral and bilateral meetings, but it is unclear how they will resolve the thorniest historical issues in order to deepen trust.

U.S.-South Korea Economic Relations

U.S. goods and services exports to South Korea totaled \$86.1 billion in 2021, and imports totaled \$108.4 billion. Autos and parts accounted for one-quarter of U.S. imports (\$27.1 billion). In 2020, the stock of South Korean FDI in the United States was \$63.7 billion, and U.S. FDI to South Korea was \$33.9 billion. South Korean FDI has grown significantly and nearly 100,000 workers in the United States were employed by South Korean multinational firms in 2019. Since early 2021, South Korean companies have announced pledges of \$25 billion in new U.S. investment with a focus on cooperation in key technologies including electric vehicle batteries, semiconductors, and artificial intelligence.

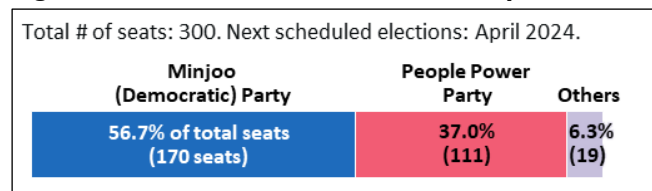
The KORUS FTA has been the centerpiece of U.S.-South Korea trade and investment relations since its entry into force in 2012. Most U.S. business groups support the agreement, highlighting market access improvements in South Korea and a more robust mechanism for dispute resolution, though the two countries continue to engage on implementation issues. The Trump Administration negotiated limited modifications to the KORUS FTA, which took effect in 2019 and included a delay until 2041 in reductions to U.S. light truck tariffs. South Korea's participation in the IPEF initiative may provide an opportunity to further enhance economic ties, including on digital trade issues, a priority area for both countries.

Bilateral trade frictions have been less pronounced under President Biden than under the Trump Administration. However, Trump-era import restrictions on South Korean products, including steel, aluminum, washing machines, and solar products, remain in effect.

South Korean Politics

Yoon, a political newcomer who won by a margin of less than 1% of the vote, will have to contend with a National Assembly firmly controlled by the opposition Minjoo Party. (See **Figure 1**.) Divided government is likely to complicate Yoon's ability to secure major achievements in areas that require new legislation, such as in domestic policy.

Figure 1. South Korea's National Assembly



Source: National Assembly website, accessed June 4, 2022.

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