



South Korea: Background and U.S. Relations

Overview

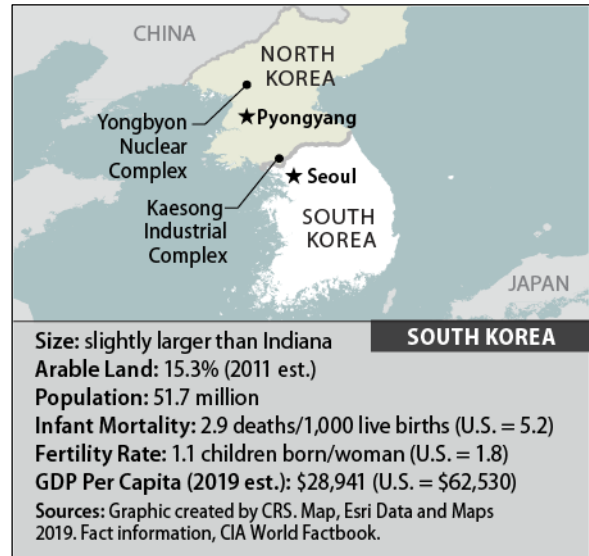
South Korea (officially the Republic of Korea, or ROK) is one of the United States’ most important strategic and economic partners in Asia. The U.S.-ROK Mutual Defense Treaty, signed in 1953 at the end of the Korean War, commits the United States to help South Korea defend itself, particularly from North Korea (officially the Democratic People’s Republic of Korea, or DPRK). The alliance also helps the United States promote its interests in East Asia and around the globe, including by deploying ROK troops to U.S.-led military conflicts in the Middle East. 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). 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 was inconsistent under the administrations of Donald Trump and Moon Jae-in. President Moon, a progressive, was elected in May 2017 after a decade of conservative rule. President Biden has called for reinvigorating the alliance, suggesting he would abandon President Trump’s repeated use of punitive tariffs against allies like Seoul and his demand for a five-fold increase in South Korea’s payments for the costs of hosting U.S. troops. Unlike Trump, Biden has not signaled an interest in demanding new concessions in the KORUS FTA or withdrawing U.S. troops from South Korea. Bilateral difficulties could surface, however, over North Korea policy. Moon’s government favors easing sanctions against Pyongyang, a stance that could create tensions with Washington.

South Korea’s COVID-19 Response

Despite being one of the countries first hit by COVID-19 in early 2020, South Korea has largely contained the virus without resorting to lockdowns. As of early February 2021, the country reported around 79,000 cumulative cases and around 1,400 deaths. The government’s success stems in part from lessons learned after a 2015 deadly outbreak of Middle East Respiratory Syndrome (MERS) exposed flaws in the country’s public health system. In response, South Korea passed legislation granting the government greater powers to monitor and track individual patients and to allow private companies to produce health tests rapidly. These changes have helped South Korea manage the COVID-19 pandemic with aggressive testing, contact tracing, and public communication. The government has emphasized transparency, disseminating information about the virus’ spread, including about possible infections at the neighborhood level. At times, South Korea has prohibited large gatherings, including anti-government rallies, prompting criticism. Moon also has been criticized for

being slow to procure COVID vaccines, which are expected to be available in February.



North Korea Policy Coordination

North Korea is the dominant strategic concern in the U.S.-South Korea relationship. Moon has championed U.S.-North Korea talks, which he views as critical to preventing military conflict and to realizing his goal of establishing a durable peace on the Korean Peninsula. North Korea’s steady advances in its nuclear weapons and ballistic missile programs were not stopped by two years of personal diplomacy between President Trump and North Korean leader Kim Jong-un. U.S.-DPRK talks halted in early 2019 due to differences over the scope and sequencing of concessions, specifically North Korean denuclearization measures in exchange for relief from international and U.S. sanctions. Kim also has linked progress on denuclearization talks to the cessation of U.S. joint military exercises with and shipments of advanced military equipment to South Korea.

In the near term, analysts worry Kim will abandon his three-year-old unilateral moratorium on nuclear tests and long-range ballistic missile tests. North Korea has continued to test short- and medium-range missiles and to conduct cyberattacks around the globe. U.N. and U.S. sanctions remain in place, officially barring nearly all of North Korea’s typical exports and many of its imports. The sanctions severely limit cooperation activities that the Moon government favors to ease tension on the Peninsula.

Inter-Korean relations under Moon have closely tracked U.S.-North Korea relations, improving markedly in 2018—when three Moon-Kim summits were held—before collapsing in 2019. Since early 2019, Pyongyang largely

has ignored Seoul's outreach and has severed all overt inter-Korean communication channels. Moon generally favored offering more and earlier concessions to North Korea than Trump, creating periodic tensions, a dynamic likely to continue with the Biden Administration. In January 2021, Biden officials said they will conduct a review of policy toward North Korea, in cooperation with South Korea and Japan.

U.S.-South Korea Security Issues

In addition to hosting 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. During Trump's tenure, the U.S. and ROK struggled to renew the agreement—known as the Special Measures Agreement, or SMA—that establishes South Korean contributions to host U.S. troops. Reportedly, Trump asked for a 400% increase and South Korea countered with 13%, leading to an impasse; the previous SMA expired at the end of 2019. Incoming Defense Secretary Lloyd Austin has called for a quick conclusion to the negotiations in order to shore up the alliance, which he called "the linchpin of peace and security in the region" and "among the most combined, interoperable, capable and dynamic" alliances in the world during his confirmation hearing.

The most immediate challenge for the alliance may be the decision on whether to re-start major U.S.-ROK military exercises, which Trump unilaterally suspended after meeting with Kim. Moon has suggested that the drills should be "negotiated" with Pyongyang, a stance that could run counter to U.S. policy. Critics claim that further suspension of the exercises could harm alliance readiness.

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

South Korea's Regional Relations

Because of North Korea's economic dependence on China, South Korea calibrates its North Korea policy with an eye on Beijing's relations with Pyongyang. China also is South Korea's largest trading partner and destination for foreign direct investment (FDI), and Beijing has 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 the ROK. China responded by enacting economic measures that have cost ROK companies billions of dollars.

ROK-Japan are perennially fraught because of sensitive historical 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 have caused South Korea-Japan relations to plummet, eroding U.S.-ROK-Japan policy coordination. The Biden Administration has emphasized the importance of trilateral cooperation; several senior officials devoted considerable efforts to improving ROK-Japan relations in their previous roles during the Obama Administration.

U.S.-South Korea Economic Relations

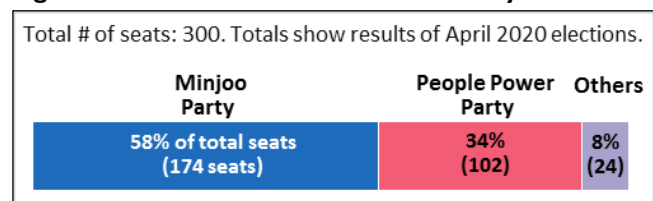
The South Korean economy contracted by 1% in 2020, outperforming the United States and most industrialized countries during the pandemic. In addition to success in containing its outbreak, South Korea also benefitted from strong global demand for semiconductors, a top export. In 2019, U.S. goods and services exports to the ROK totaled \$81.4 billion, while imports totaled \$88.9 billion. Since the 2012 KORUS FTA's entry into force, bilateral trade and investment have increased, with U.S. services exports (+\$6.1 billion to \$24.0 billion in 2019) and auto imports (+\$9.7 billion to \$25.2 billion in 2019) seeing the largest gains. From 2011-2019, the stock of South Korean FDI to the United States tripled to \$61.8 billion, and U.S. FDI to South Korea grew 39% to \$39.1 billion.

In 2018, the Trump Administration sought negotiations to modify the KORUS FTA, under threat of U.S. withdrawal from the pact. South Korea agreed to limited 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 not to move forward with proposed Section 232 auto import restrictions have since eased bilateral trade tensions. A number of Trump Administration import restrictions on South Korean products, including steel, aluminum, washing machines and solar products, however, remain in place. President Biden intends to work with U.S. allies toward a global solution to the underlying overcapacity issues in certain sectors but has not committed to removal of the U.S. import restrictions.

South Korean Politics

Moon belongs to the Minjoo (Democratic) Party, which in April 2020 won a landslide victory in legislative elections, securing the country's largest majority in the National Assembly in nearly 30 years. The victory was propelled by Moon's success containing the initial COVID-19 outbreak. His popularity has fallen since late 2019 due to complaints such as soaring housing prices and a slow vaccine rollout. The next presidential election is scheduled for May 2022. ROK presidents are limited to one five-year term.

Figure 1. South Korea's National Assembly



Source: National Assembly website, accessed February 1, 2021.

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