



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). In 2020, South Korea was the United States’ seventh-largest trading partner, and the United States was South Korea’s second-largest trading partner, behind China.

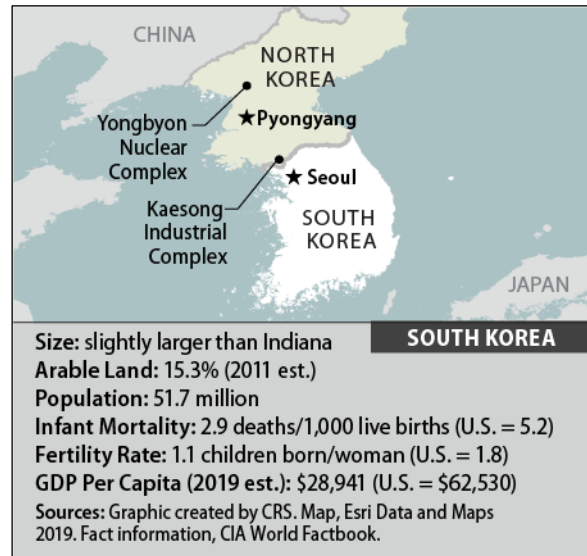
On May 21, President Joseph Biden and ROK President Moon Jae-in are scheduled to meet in Washington, DC. The meeting, Biden’s second in-person summit after one with Japan’s prime minister, appears to signal the Administration’s priority on the Indo-Pacific region and on reinvigorating U.S. alliances. Under the Trump Administration, the U.S.-ROK alliance was strained by disputes over South Korean contributions to cost-sharing arrangements to host U.S. troops. During the upcoming summit, the two leaders reportedly are expected to discuss North Korea policy, a Coronavirus Disease 2019 (COVID-19) vaccine partnership, the challenges of dealing with China’s rise, U.S.-South Korea-Japan coordination, and cooperation to make semiconductor supply chains more resilient.

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. In April 2021, the Biden Administration announced it had completed a review of DPRK policy, and that it will pursue a “calibrated, practical approach that is open to and will explore diplomacy with North Korea” to achieve eventually the “complete denuclearization of the Korean Peninsula.” Although Moon has welcomed the mention of diplomacy, his preference for more aggressive engagement with North Korea could create tensions with the United States.

North Korea’s steady advances in its nuclear weapons and ballistic missile programs were not stopped by over 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, some analysts worry Kim will abandon his three-and-a-half-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. 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.

U.S.-South Korea Security Issues

Secretary of Defense Lloyd Austin has described the U.S.-ROK alliance as “the linchpin of peace and security in the region” and “among the most combined, interoperable, capable and dynamic” alliances in the world. The alliance showed signs of strain in the past several years, as President Trump was openly skeptical of the value of the alliance and requested steep increases in funds from South Korea to offset the cost of hosting U.S. troops on the Peninsula. In its first two months in office, the Biden Administration concluded a cost-sharing negotiation with South Korea that boosted South Korea’s contribution 13.9%. South Korea 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.

Another focus for the alliance is an agreement to transfer wartime operational control (OPCON) to a binational command led by an ROK general with a U.S. deputy. President Moon has indicated his desire to accelerate the transfer. Under the existing arrangement, South Korean soldiers would be under a binational command led by a U.S. general in the event of war. In peacetime, the ROK military is responsible for national security. The plan to transfer OPCON, begun in 2007 and twice delayed, recognizes the ROK's advances in economic and military strength since the Korean War and is seen by many Koreans as important for ROK sovereignty. 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.

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 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. Moon's government has taken an ambiguous stance on whether to cooperate with the Quadrilateral Security Dialogue, referred to as "the Quad," a cooperative forum that includes the United States, India, Japan, and Australia. Seoul's participation in Quad activities may be more likely after the Biden Administration dropped the previous U.S. framing of the group as anti-Chinese and led the creation of new Quad initiatives on COVID vaccine distribution, climate change, and critical technologies.

ROK-Japan relations 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. To reverse this trend, the Biden Administration has emphasized the importance of trilateral cooperation and has convened multiple high-level trilateral meetings.

South Korea's COVID-19 Response

South Korea has largely contained COVID-19, without resorting to lockdowns. As of mid-May 2021, the country reported around 130,000 cumulative cases and around 1,900 deaths. The Moon government has been criticized for being slow to procure COVID vaccines, administration of which began in February 2021. A U.S.-ROK vaccine partnership reportedly will be announced at the Biden-Moon summit, involving the provision of U.S. vaccines and an agreement allowing South Korea eventually to produce and export U.S.-developed vaccines.

U.S.-South Korea Economic Relations

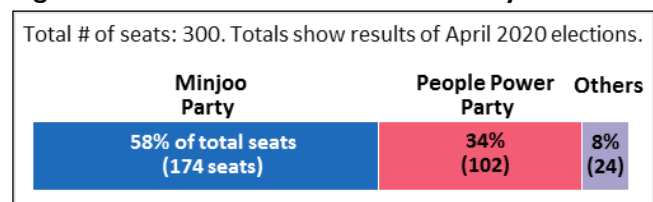
The South Korean economy contracted by 1% in 2020, outperforming the United States and most industrialized countries during the pandemic. In addition to success in containing its outbreak, South Korea also benefitted from strong global demand for semiconductors, a top export. From 2019 to 2020, U.S. goods and services exports to the ROK decreased by \$12.0 billion (-15%) to \$69.5 billion, in large part due to pandemic-related challenges (South Korean spending on U.S. travel services fell by \$4.6 billion). U.S. imports from South Korea appear to have been less affected by the pandemic, decreasing by \$2.3 billion (-3%) to \$86.6 billion. Autos and parts remain the top U.S. import from South Korea (\$24.4 billion in 2020). In 2019 (latest available), the stock of South Korean FDI in the United States was \$61.8 billion, and U.S. FDI to South Korea was \$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. A number of Trump Administration import restrictions on South Korean products, including steel, aluminum, washing machines and solar products, remain in effect. 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, elected in 2017, belongs to the Minjoo (Democratic) Party, which has a commanding majority in the National Assembly. Moon's popularity has fallen in 2021 due to complaints such as soaring housing prices. The next presidential election is scheduled for March 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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