



# 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 helps the United States promote its interests in East Asia and around the globe. ROK troops, for example, have fought alongside U.S. troops in U.S.-led military conflicts. 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 has been inconsistent under the administrations of Donald Trump and Moon Jae-in. Moon, a progressive, was elected President in May 2017 after a decade of conservative rule. Although the two sides generally have managed to navigate differences, for instance over trade and North Korea policy, underlying tensions continue to surface on a range of issues. Most recently, the U.S.-ROK “Special Measures Agreement” (SMA) on how to divide the costs of basing U.S. troops in South Korea expired at the end of 2019, and subsequent negotiations have failed to reach a compromise. As a result, about 4,000 South Korean workers on U.S. bases were furloughed in April 2020. 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.

## South Korea’s COVID-19 Response

In February 2020, South Korea emerged as the second-worst COVID-19 affected country, after China. By the end of March, however, South Koreans largely had slowed the initial outbreak, and had done so without resorting to large-scale lockdowns. As of April 22, South Korea was reporting fewer than 20 new cases a day, with a cumulative total of over 10,000 infections and over 200 deaths. The significant reduction in newly reported cases allowed the government in mid-April to begin relaxing its social distancing measures.

South Korea managed the initial outbreak with aggressive testing, contact-tracing, and public communication. South Korea describes its approach as the three “Ts”: tracking, testing, and treatment, including caring for mildly symptomatic patients in separate facilities away from families and from hospitals. As of April 21, over 550,000 citizens had been tested for the virus—one of the highest rate of testing per capita in the world—at over 600 sites,

including pop-up facilities and drive-through sites that provide rapid results. The government also emphasized transparency, disseminating information about the virus’ spread, including about possible infections at the neighborhood level. After a deadly 2015 outbreak of Middle East Respiratory Syndrome (MERS) exposed flaws in the country’s response, South Korea reformed its health policy by granting the government greater powers to monitor and track individual patients and to allow private companies to produce tests rapidly.



## North Korea Policy Coordination

North Korea is the dominant strategic concern in the U.S.-South Korea relationship. Since 2016, North Korea has made major strides in its ability to strike the continental United States with a nuclear-armed ballistic missile. While their approaches differ, both Trump and Moon have pursued rapprochement with Pyongyang since early 2018, when DPRK leader Kim Jong-un said he would suspend nuclear and long-range missile testing and engage in denuclearization talks. Since then, Kim has had three summits with Trump and three with Moon.

However, denuclearization talks have been frozen since February 2019, when Trump and Kim’s second summit, in Hanoi, ended without an agreement. The two sides disagreed over the scope and sequencing of concessions, specifically North Korean denuclearization measures in exchange for relief from international and U.S. sanctions. U.S. officials say their North Korean counterparts have refused to engage in additional negotiations. Since May 2019, the DPRK has conducted multiple short-range ballistic missile tests, as well as a submarine-launched ballistic missile test, in violation of United Nations

prohibitions. The tests appear aimed at advancing solid fuel and guidance systems and developing capabilities to thwart short-range missile defense systems. President Trump has largely dismissed the significance of these tests. In late December 2019, Kim announced that due to the continuation of sanctions, “there is no ground” for North Korea to continue its nuclear and missile testing moratoria. Kim criticized the United States’ continuation of sanctions, and its joint military exercises with and shipments of advanced military equipment to South Korea. He warned he would show “a new strategic weapon” if the U.S. did not change approach.

Moon generally has favored offering more and earlier concessions to North Korea than Trump. International and U.S. sanctions however, prevent Moon from doing more without U.S. approval, which has contributed to periodic tensions.

### 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 expired SMA agreement. South Korean negotiators reportedly offered a 13% increase in contributions, but this fell far short of the Trump Administration’s proposal for a fivefold increase in ROK payments. The SMA needs to be approved by the ROK National Assembly, and the ROK public is strongly opposed to meeting the U.S. demand.

President Trump’s calls 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 COVID-19 pandemic has further raised concern about U.S. readiness in the broader region, particularly because of acute outbreaks on U.S. naval vessels.

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 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.

Ties with Japan are perennially fraught because of sensitive historical issues from Japan’s colonization of the Korean Peninsula from 1910 to 1945. A series of actions and retaliatory countermeasures by both governments involving trade, security, and history-related controversies in 2018 and 2019 caused ROK-Japan relations to plummet, eroding U.S.-ROK-Japan policy coordination.

### U.S.-South Korea Economic Relations

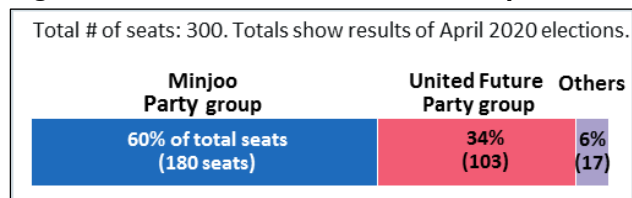
In 2019, U.S. goods and services exports to the ROK totaled \$81.0 billion, while imports totaled \$90.9 billion. Since the 2012 KORUS FTA’s entry into force, bilateral trade flows have increased, with U.S. services exports (+\$6.5 billion to \$23.1 billion in 2019) and auto imports (+\$9.7 billion to \$25.2 billion in 2019) seeing the largest gains. FDI also increased markedly since 2012, with the stock of South Korean FDI in the United States nearly tripling to \$58.3 billion in 2018 (latest available) and U.S. FDI to South Korea increasing by 47% to \$41.5 billion. The ROK economy is expected to contract significantly in 2020 due to COVID-19’s domestic and global impact.

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 not to target South Korean imports in its potential Section 232 auto import restrictions have 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. USTR lists South Korean restrictions on geo-location data exports and on cross-border use of cloud computing as key barriers to U.S. digital trade in 2020.

### South Korean Politics

Moon belongs to the Minjoo (Democratic) Party, which in April 2020 won a landslide victory in National Assembly elections (conducted under social distancing conditions) to gain control of the unicameral chamber, with the largest majority in nearly 30 years. The victory was propelled by Moon’s success containing the initial COVID-19 outbreak. 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: Yonhap News Agency, April 16, 2020.

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