

Updated December 9, 2021

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 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), implemented in 2012. 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.

In May 2021, President Joseph Biden and ROK President Moon Jae-in met in Washington, DC. During their summit, Biden and Moon discussed North Korea policy, and identified ways to expand cooperation on global and regional issues, such as climate change, energy, cyber-security, global health, and space. They also announced a Coronavirus Disease 2019 (COVID-19) vaccine partnership; an ROK pledge of \$220 million in aid to Northern Triangle Central American countries to help resolve U.S. inward migration challenges; and investments in the United States by ROK technology companies in key sectors. Moon's presidency is to end in May 2022.

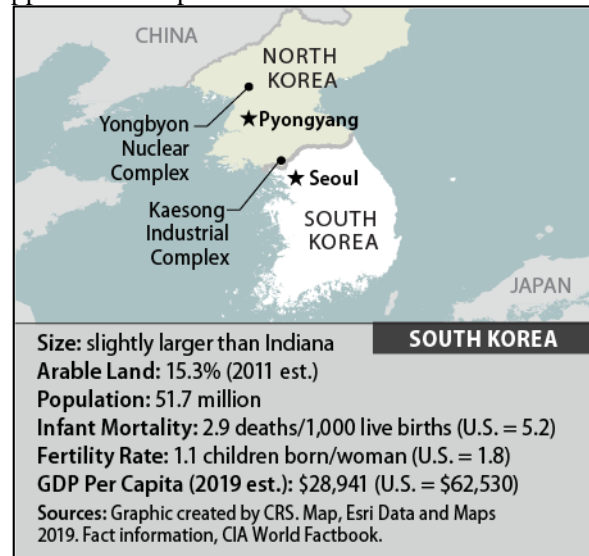
North Korea Policy Coordination

North Korea is the dominant strategic concern in the U.S.-South Korea relationship. Moon has promoted engagement with the DPRK, which he says is critical to prevent military conflict and establish a durable peace on the Korean Peninsula. U.N. and U.S. sanctions severely limit Seoul's ability to conduct inter-Korean cooperation activities. Since early 2019, the DPRK largely has ignored U.S. and ROK outreach, including humanitarian aid offers.

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." The approach appears to envision incrementally offering partial sanctions relief in exchange for partial steps toward denuclearization. Moon has welcomed the Biden policy.

At their 2021 summit, Biden and Moon stated their belief that 2018 U.S.-North Korea and South Korea-North Korea agreements negotiated by Moon and former President Donald Trump could form the basis for denuclearization

and achieving "permanent peace" on the Korean Peninsula. Biden supported inter-Korean dialogue and Moon reiterated support for full implementation of U.N. sanctions.



DPRK leader Kim Jong-un has characterized U.S. offers of diplomacy as "a petty trick" for hiding "hostile acts," such as the continuation of U.S.-ROK military exercises, the maintenance of sanctions against North Korea, and South Korean acquisition and development of sophisticated military equipment. In reaction to the stasis in U.S.-DPRK and ROK-DPRK diplomacy as his time in office runs out, Moon has been pushing for a U.S.-ROK pre-emptive declaration formally ending the Korean War as an incentive for Pyongyang to come to the negotiating table.

North Korea has continued to conduct cyberattacks around the globe and test short- and medium-range missile capabilities to develop their ability to evade missile defenses. The most recent tests occurred in September and October 2021, when North Korea launched three new types of missiles and claimed it had developed a faster fueling system. It also test-launched what may be a submarine-launched ballistic missile. Some analysts worry that DPRK leader Kim Jong-un will abandon his nearly four-year-old unilateral moratorium on nuclear tests and long-range ballistic missile tests.

U.S.-South Korea Security Issues

The Biden Administration has worked to repair the alliance, which was strained during the Trump years. In February 2021, the Biden Administration concluded a cost-sharing negotiation with South Korea that boosted South Korea's contribution 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 their 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).

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 destination for foreign direct investment (FDI), and Beijing has punished ROK companies when it disagrees with Seoul's policy decisions. 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 measures that cost ROK companies billions.

Moon's government has taken an ambiguous stance on whether to cooperate with the Quadrilateral Security Dialogue ("the Quad"), a cooperative forum that includes Australia, India, Japan, and the United States. Seoul's participation in Quad activities is more likely if the group avoids an anti-China framing. The Biden-Moon joint statement contained China-relevant phrases, including opposing "all activities that undermine, destabilize, or threaten the rules-based international order" and references to "freedom of navigation and overflight in the South China Sea and beyond" and "the importance of preserving peace and stability in the Taiwan Strait."

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, a country of 51.7 million people, has largely contained COVID-19, without resorting to lockdowns. As

of mid-December 2021, the country reported around 500,000 cumulative cases, around 4,000 deaths, and over 80% of the population vaccinated. Under the May 2021 U.S.-ROK vaccine partnership, South Korean biopharmaceutical companies are to produce and globally distribute U.S.-developed vaccines. U.S. vaccine developers are to invest in ROK-based production facilities.

U.S.-South Korea Economic Relations

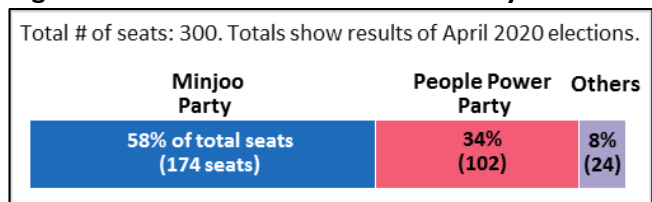
The South Korean economy contracted by 0.9% in 2020, outperforming many countries during the pandemic. It benefitted both from success in containing its outbreak and strong global demand for semiconductors, a top export. From 2019 to 2020, U.S. goods and services exports to the ROK decreased by \$11.9 billion (-15%) to \$69.2 billion, in large part due to pandemic-related challenges (South Korean spending on U.S. travel services fell by \$4.7 billion). U.S. imports from South Korea appear to have been less affected by the pandemic, decreasing by \$2.8 billion (-3%) to \$86.4 billion. Autos and parts remain the top U.S. import from South Korea (\$24.4 billion in 2020). 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. At the May summit, South Korean companies announced pledges of \$25 billion in new U.S. investment in coming years with a focus on bilateral cooperation in key technologies including electric vehicle batteries, semiconductors, and artificial intelligence.

In 2019, limited modifications to the KORUS FTA took effect, including a delay until 2041 in reductions to U.S. light truck tariffs. The changes were negotiated by the Trump Administration, which characterized them as a "basic redoing" of the agreement, but most analysts viewed the modifications as relatively minor. Trump Administration import restrictions on South Korean products, including steel, aluminum, washing machines, and solar products remain in effect, but President Biden has stated interest in working with allies to address the global overcapacity issues that led to the restrictions.

South Korean Politics

Moon, elected in 2017, belongs to the left-of-center Minjoo (Democratic) Party, which has a commanding majority in the National Assembly. ROK presidents are limited to one five-year term. The next presidential election is scheduled for March 2022.

Figure 1. South Korea's National Assembly



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

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