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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). 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 the People's Republic of China (PRC, or China). Over the past decade, congressional interest in U.S.-ROK relations often has focused on U.S.-ROK cooperation over North Korea and more recently Indo-Pacific policies, the U.S.-ROK alliance, and U.S.-South Korea trade and investment flows.

South Korean President Yoon Suk-yeol, in office since May 2022, is seeking to transform South Korea into a "global pivotal state" by raising its profile beyond the Korean Peninsula, working more expansively with fellow democracies, and becoming a more active partner in the United States' Indo-Pacific strategy. Yoon issued South Korea's first-ever Indo-Pacific strategy in December 2022. President Joseph Biden and Yoon have capitalized on greater U.S.-ROK strategic alignment by forging closer cooperation on North Korea policy through military exercises and expanding trilateral cooperation with Japan. They also have made efforts to integrate South Korean companies with U.S. efforts to promote technological development and supply chain resiliency. South Korea is one of 14 negotiating partners in the U.S.-led Indo-Pacific Economic Framework for Prosperity (IPEF) initiative, a proposed new trade and economic arrangement. Despite the growing alignment, South Korea's approach to China is less confrontational than the United States', and U.S.-ROK economic friction has increased due to South Korean complaints about the electronic vehicle (EV) provisions in the 2022 Inflation Reduction Act (IRA, P.L. 117-169).

North Korea Policy Coordination

Historically, North Korea has been the dominant strategic concern in the U.S.-South Korea relationship. The Biden Administration in 2021 stated it will pursue a "calibrated, practical approach that is open to and will explore diplomacy with North Korea" to eventually achieve the "complete denuclearization of the Korean Peninsula," even as U.S. and international sanctions remain in place. The Administration appears to envision offering some sanctions relief in exchange for steps toward denuclearization. Administration officials say they have reached out to North

Korea, offering to meet "without preconditions," and that "the ball is in [Pyongyang's] court." Since the collapse of former President Donald Trump's diplomatic outreach with North Korean leader Kim Jong-un in 2019, however, Pyongyang largely has ignored U.S. and South Korean outreach and has severed all overt inter-Korean communication channels for extended periods.

Since the start of 2022, North Korea has test-launched more than 60 missiles, including multiple tests of intercontinental ballistic missiles (ICBMs), which are capable of delivering nuclear warheads. Satellite imagery publicized in 2022 appeared to indicate repairs and enhancements at North Korea's nuclear weapons test site, raising concerns that it will conduct its seventh nuclear weapons test, which would be the first since September 2017. In 2022, Kim pledged to "exponentially increase" North Korea's nuclear weapons stockpile, said he will "never" denuclearize, and promulgated a new law expanding the conditions under which North Korea would use nuclear weapons to include non-nuclear attacks and situations that threaten the regime's survival. Pyongyang continues to evade sanctions and conduct illicit activities to raise funds. Inter-Korean tensions have increased since the summer of 2022. In December 2022, for instance, the DPRK flew drones across the demilitarized zone (DMZ) separating the two Koreas.

Whereas the previous ROK government emphasized diplomacy with North Korea, Yoon and Biden have emphasized deterrence. They have reactivated high-level consultations on extended deterrence under the U.S. nuclear umbrella and expanded the scope and scale of combined military exercises (including with Japan), which President Trump and Yoon's predecessor, Moon Jae-in, had curtailed since 2018. The United States has increased deployments of strategic assets such as stealth fighter jets, introduced new unilateral sanctions designations, and proposed new DPRK sanctions measures in the United Nations. (China and Russia vetoed the attempt.) Alongside these steps, the two allies have offered Pyongyang unconditional humanitarian assistance, and Yoon has pledged to provide large-scale economic assistance if North Korea "embarks on a genuine and substantive process for denuclearization."

U.S.-South Korea Security Issues

The Biden Administration has worked to repair the alliance, which had been strained under Trump, prompting the 115th and 116th Congresses to impose conditions (via the FY2019, FY2020, and FY2021 National Defense Authorization Acts) 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 Camp Humphreys, the largest overseas U.S. base. Another example of alliance adaptation is a May 2021 decision to terminate their bilateral Missile Guidelines agreement, originally signed in 1979, which limited the range of South Korean ballistic missiles to 800 kilometers (497 miles).

Reaction to Russia's War in Ukraine

After Russia's February 2022 invasion of Ukraine, South Korea imposed sanctions against Russia and offered \$100 million in humanitarian aid and nonlethal equipment to Ukraine. Poland reportedly has signed contracts to purchase over \$3 billion in South Korean arms to replace equipment sent to assist Ukraine. Yoon also joined a 2022 NATO summit in Madrid, a first for an ROK leader.

South Korea's Regional 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. Also, PRC support or opposition could be decisive in shaping the outcome of South Korea's DPRK policies. Opinion polls show strong negative South Korean attitudes toward China. Even as Yoon often has shown caution in his relations with China, he has pushed back against China's efforts to curtail the ROK's expansion of its military posture and its security cooperation with the United States and Japan. He also has indicated interest in participating in the vaccine, climate change, and emerging technology working groups established by the Quadrilateral Security Dialogue (or "Quad"), a group comprising Australia, India, Japan, and the United States that PRC officials have criticized as being part of a U.S.-led "anti-China alliance."

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 took steps to reverse this trend in 2022, including a bilateral heads-of-state meeting (the first since 2019),

multiple ROK-Japan-US summits, expanded trilateral military exercises, and an agreement to share data on DPRK missiles in real time. It remains unclear, however, how the ROK and Japan will resolve their thorniest historical frictions 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 2021, the stock of South Korean FDI in the United States was \$72.5 billion, up 14.9% from 2020, and U.S. FDI to South Korea was \$38.1 billion. Over 80,000 workers in the United States were employed by South Korean multinational firms in 2020. In 2022, South Korean companies announced pledges of \$25 billion in new U.S. investment in key industries including EVs, semiconductors, and biotechnology.

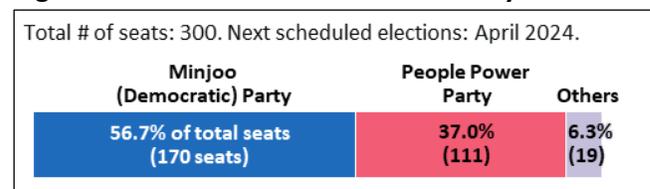
The KORUS FTA has been the centerpiece of U.S.-South Korea trade and investment relations since its entry into force in 2012. Most U.S. business groups support the agreement, highlighting market access improvements in South Korea and a more robust mechanism for dispute resolution. The Trump Administration negotiated limited modifications to the KORUS FTA, which took effect in 2019, to address some implementation concerns. The two countries continue to engage on outstanding issues. 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.

South Korea has raised concerns over the IRA's assembly and sourcing requirements, which South Korean EVs are unable to meet over the next few years. In December 2022, the Biden Administration reaffirmed its commitment to continue bilateral discussions regarding the issue. Trump-era import restrictions on South Korean products, including steel, aluminum, washing machines, and solar products, remain in effect.

South Korean Politics

Yoon, who won the 2022 election by a margin of less than 1% of the vote, is contending with a National Assembly firmly controlled by the opposition Minjoo Party. (See **Figure 1**.) Divided government, and Yoon's low public approval (in the 30% range) is complicating his 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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