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# U.S.-South Korea Relations

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# Summary

## 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 1953 U.S.-ROK Mutual Defense Treaty commits the United States to help South Korea defend itself. Approximately 28,500 U.S. troops are based in the ROK, which is included under the U.S. "nuclear umbrella." The two countries' economies are joined by the Korea-U.S. 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. South Korean President Moon Jae-in, a left-of-center politician elected in 2017, is due to leave office in May 2022.

In recent years, Members of Congress have expressed interest in and conducted oversight over U.S.-ROK cooperation over North Korea policy, the U.S. military presence in South Korea, bilateral trade and investment flows, the state of political and civil rights in South Korea, and other issues. South Korea's rise into the ranks of the world's top industrialized economies and most powerful militaries has prompted many Members to explore whether and how the ROK government, companies, and organizations can serve as partners in many U.S. Indo-Pacific initiatives, particularly on those that involve the People's Republic of China (PRC, or China). ROK officials generally are reluctant to raise objections about PRC behavior that does not directly affect South Korea, though this may be changing due to rising negative attitudes towards China among South Koreans.

## Coordination of North Korea Policy

Dealing with North Korea (officially the Democratic People's Republic of Korea, or DPRK) is the dominant bilateral strategic concern and the Biden and Moon governments have worked to harmonize their approaches and minimize public disagreements. The Biden Administration policy, which Moon has welcomed, appears to envision incrementally offering partial sanctions relief in exchange for partial steps toward denuclearization. During his tenure, Moon has more aggressively promoted engagement initiatives with the DPRK, which he says are critical to prevent military conflict and establish a durable peace on the Korean Peninsula. U.N. and U.S. sanctions, which have reduced DPRK exports by around 90%, 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 offers of humanitarian aid.

## The U.S.-ROK Alliance

For nearly two decades, the United States and South Korea have accelerated steps to reform their alliance, including relocating U.S. troops on the Korean Peninsula, boosting ROK defense capabilities, and 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. Many of President Donald Trump's actions and words strained the alliance, and the Biden Administration in its first year in office sought to repair the rifts, particularly by renewing an agreement on sharing the costs of South Korea hosting U.S. troops that had expired under the Trump Administration. Polls in recent years indicate over 85% of South Koreans say they value the U.S.-ROK alliance.

## Bilateral Economic Relations

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, but some U.S. stakeholders have raised concerns over an increase in the bilateral U.S. trade deficit since the agreement took effect. The two countries continue to engage on KORUS FTA implementation issues using the agreement's consultative mechanisms. Bilateral trade frictions have been less pronounced under President Biden than under the Trump Administration, in line with the Biden Administration's interest in working with allies to address global economic challenges and ensure greater U.S. supply chain security and reliability. However, President Biden has maintained several unilateral U.S. import restrictions affecting major South Korean industries, such as steel, washing machines, and solar panels, which were imposed by President Trump using trade authorities delegated by Congress.

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This report contains two main parts: a section describing major events and trends that occurred in 2021 and a longer background section on key elements of the U.S.-South Korea relationship. The end of the report provides a list of South Korea-related legislation introduced in the 117<sup>th</sup> Congress (see the “Legislation in the 117th Congress” section). For a map of the Korean Peninsula, see **Figure 2** below. The report identifies Korean individuals by using their last name first. For a two-page summary of U.S.-South Korea relations, see CRS In Focus IF10165, *South Korea: Background and U.S. Relations*, by Mark E. Manyin et al.

## Recent Developments and Upcoming Events

### Possible Opportunities for Congress to Influence U.S.-ROK Relations

Over the past decade, congressional interest in U.S. relations with South Korea (officially the Republic of Korea or ROK) primarily has been focused on issues concerning U.S.-ROK cooperation over North Korea policy, the U.S.-ROK alliance, and U.S.-South Korea trade and investment flows. Additionally, South Korea’s rise into the ranks of the world’s top industrialized economies and most powerful militaries has prompted many Members to explore whether and how the ROK government, companies, and organizations can serve as partners in many U.S. Indo-Pacific initiatives, particularly on those that involve the People’s Republic of China (PRC, or China). In 2021 and 2022, as shown in the “Legislation in the 117th Congress” section below, some Members also expressed interest in immigration from South Korea and in the state of South Korea’s political and civil rights situation.

A number of expected or routine events and legislative vehicles in 2022 could present opportunities for Members to seek to influence or address U.S.-South Korea relations:

- The Biden Administration has made a selection for U.S. ambassador to Seoul, a post that has been vacant since January 2021. This development would provide the Senate with an opportunity to review U.S. policies toward the Korean Peninsula.<sup>1</sup>
- In March or April of each year, the Armed Services Committees in both chambers generally hold hearings with theater combatant commanders, including the Commander of U.S. Forces Korea (USFK), that provide opportunities to discuss alliance issues such as U.S. and South Korean militaries’ state of readiness, the implementation of the transition of wartime operational control to South Korea, and the impact the relocation of U.S. headquarters from downtown Seoul to a site an hour south of the city has had on alliance coordination.
- South Korea is scheduled to hold a presidential election on March 9, 2022, and the new president is to be inaugurated on May 10. In the past, Members have attended South Korean presidential inaugurations. Early outreach to a new South Korean President and his or her team would offer an opportunity to collaborate on next steps on North Korea policy and on approaches to the Indo-Pacific region. President Biden reportedly is considering traveling to Seoul to attend the event, a trip that may also include a stop in Japan to hold a bilateral summit there and to meet with the three other members of the

<sup>1</sup> The White House’s pick is Philip Goldberg, the current U.S. Ambassador to Colombia and former Ambassador to the Philippines. In 2009 and 2010, Goldberg served as the U.S. coordinator for the implementation of UN sanctions on North Korea. The White House, “President Biden Announces 2 Diplomatic Nominees,” February 11, 2022.

Quadrilateral Security Dialogue, also known as “the Quad.”<sup>2</sup> The President’s trip, if it occurs, could provide Members with an opportunity to express their views on various items in the U.S.-South Korea relationship.

- The launch of a new ROK presidential administration also could provide an opportunity for Members to encourage South Korea and Japan to improve their relationship, which has been highly strained since 2018. In the past, Congress has passed resolutions that encourage greater trilateral cooperation among the United States, South Korea, and Japan, underscoring the value of the two allies working together. During official travel and other engagement with South Korea officials, some Members have emphasized this importance to their Japanese and South Korean interlocutors. Some Members have also engaged in trilateral legislative exchanges, which could be enhanced in order to encourage more coordination.
- Annual authorization and appropriations bills, including the National Defense Authorization Act (NDAA), State Department-Foreign Operations Appropriations bill, Military Construction-Veterans Affairs (VA) Appropriations bill, and any hearings surrounding these measures provide opportunities for congressional involvement in and oversight of U.S.-ROK relations, particularly on issues related to North Korea policy coordination and the U.S.-ROK alliance.
- In February 2022, the Biden Administration released its Indo-Pacific strategy. Key components of the approach are pursuing “unprecedented cooperation” with U.S. allies and partners, including South Korea, and “moderniz[ing]” U.S. alliance relations. Additionally, one of the strategy’s ten “core lines of effort” is encouraging South Korea and Japan to increase their cooperation.<sup>3</sup> Later in 2022, the Administration is expected to release its national security strategy. These documents are likely to have implications for U.S.-South Korea relations that Members may seek to incorporate into their oversight.
- The Biden Administration has stated it plans to begin negotiations on an Indo-Pacific Economic Framework initiative in early 2022, which may include South Korea.<sup>4</sup> Congress, given its constitutional authority to regulate foreign commerce, may consider how to ensure its trade and economic priorities are reflected in these negotiations, and the extent to which congressional approval of the framework is required under U.S. law.

## Biden and Moon’s May 2021 Summit

In May 2021, Biden and Moon Jae-in met in Washington, DC. The meeting, Biden’s second in-person summit after one with Japan’s prime minister, was one of several early signals that the Administration was placing a priority on the Indo-Pacific region and on reinvigorating U.S. alliances.<sup>5</sup> U.S.-ROK policy under the administrations of Donald Trump and Moon featured

<sup>2</sup> Rintaro Tobita, “Biden Looks to Visit Japan in May for Quad summit,” *Nikkei Asia*, February 2, 2022.

<sup>3</sup> The White House, *Indo-Pacific Strategy of the United States*, February 2022.

<sup>4</sup> “U.S. Commerce Chief Sees Indo-Pacific Economic Framework Early Next Year,” *Reuters*, November 17, 2021.

<sup>5</sup> The Administration stated in a March 2021 Interim National Security Strategic Guidance document that it will “revitalize” the United States’ network of alliances and partnerships. The White House, *Renewing America’s Advantages. Interim National Security Strategic Guidance*, March 2021. That same month, President Biden convened the first-ever summit (held virtually) among the leaders of the Quadrilateral Security Dialogue, commonly referred to as “the Quad,” which includes the United States, India, Japan, and Australia. Two weeks later, Secretary of State

cooperation but also tensions over North Korea policy, sharing the costs of the U.S.-ROK alliance, and trade that strained the relationship, prompting the 115<sup>th</sup> and 116<sup>th</sup> Congresses to take legislative and oversight actions. (See the “Security Relations and the U.S.-ROK Alliance” section below.) In 2021, Biden and Moon took steps to restore and reinvigorate the relationship. In the weeks prior to Moon’s May 2021 visit, the two governments removed a major area of tension by concluding a new five-year agreement to share the costs of hosting U.S. troops in South Korea. South Korea agreed to raise its contribution by nearly 14% compared to the previous agreement that had expired over a year earlier. (For more, see the “Cost Sharing” section below.)

The Biden-Moon summit was widely interpreted in the United States and South Korea as restoring the health of the alliance and expanding the aperture of the relationship to focus more directly and more often on cooperating on global and regional issues.<sup>6</sup> During their summit, Biden and Moon discussed North Korea policy, terminated an agreement that had restricted ROK ballistic missile development, and stated their shared values on many issues pertaining to China, including the first-ever mention of Taiwan in a U.S.-ROK leaders’ joint statement. Biden and Moon also announced:

- a Coronavirus Disease 2019 (COVID-19) vaccine partnership;
- a U.S. pledge to vaccinate 550,000 South Korean troops (increased to 1 million after the summit) who work closely with U.S. military forces;
- investments in the United States by ROK technology companies in key sectors;
- a South Korean pledge of \$220 million in aid to Northern Triangle Central American countries to help resolve U.S. inward migration challenges; and
- expanded cooperation on critical technologies, climate change, energy, cyber-security, nuclear energy, global health, and space.<sup>7</sup>

Moon also met with several Members of Congress, participated in the groundbreaking for a new feature at the Korean War Memorial on the National Mall, and participated in Biden’s awarding of the National Medal of Honor to an American Korean War veteran.

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Antony Blinken and Secretary of Defense Lloyd Austin made their first overseas trips as cabinet secretaries to Japan and South Korea, where they held “2+2” meetings with their Japanese and South Korean counterparts.

<sup>6</sup> Scott A. Snyder, “The U.S.-South Korea Summit: A Relationship Restored?” *Asia Unbound*, Council on Foreign Relations, May 25, 2021.

<sup>7</sup> The White House, “U.S.-ROK Leaders’ Joint Statement,” May 21, 2021; The White House and the Blue House, “FACT SHEET: United States – Republic of Korea Partnership,” May 21, 2021. On Taiwan, the joint statement read, “President Biden and President Moon emphasize the importance of preserving peace and stability in the Taiwan Strait.”

### South Korea at a Glance

**Head of State:** Moon Jae-in  
**Ruling Party:** Minjoo (Democratic) Party  
**Largest Opposition Party:** People Power Party (PPP)  
**Size:** Slightly larger than Indiana  
**agricultural land:** 18.1% (U.S. = 44.5%; DPRK = 21.8%)

**Population:** 51.7 million (U.S. = 334.9 million; DPRK = 25.8 million)  
**Population Growth Rate:** 0.26% (U.S. = 0.7%; DPRK = 0.49%)  
**Portion of Population Younger than 25:** 23% (U.S. = 31%; DPRK = 35%)  
**Fertility Rate:** 1.09 children born per woman (U.S. = 1.84; DPRK = 1.91)

**Life Expectancy:** Total population 82.8 years (U.S. = 80.4 yrs.; DPRK = 71.7 yrs.) Male 79.7 years. Female 86.1 years.

**Infant Mortality:** 2.9deaths/1,000 live births (U.S. = 5.2; DPRK = 22.4)

**Real GDP (2010 dollars; Purchasing Power Parity):**<sup>8</sup> \$2.21 trillion; world's 14<sup>th</sup>-largest economy (U.S. = \$20.5 trillion; DPRK = \$40 billion [2015 est.])  
**GDP Per Capita (2010 dollars; Purchasing Power Parity):** \$42,765 [2019 est.] (U.S. = \$62,530 [2019 est.]; DPRK = \$1,700 [2015 est.])

**Source:** CIA, *The World Factbook*, accessed June 24, 2021.

## 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.<sup>9</sup> Since early 2019, Pyongyang largely has ignored U.S. and South Korean outreach, including offers of humanitarian assistance, and has severed all overt inter-Korean communication channels for extended periods. South Korea's room for maneuver with North Korea policy is constricted by U.N. and U.S. sanctions, which not only bar most North Korean exports and many imports, but also require that South Korea obtain a waiver from the United States for many of the cooperation activities the Moon government favors.

The Biden Administration has stated it will pursue a “calibrated, practical approach that is open to and will explore diplomacy with North Korea” to “make step-by-step progress toward denuclearization” even as U.S. and international sanctions remain in place.<sup>10</sup> The approach appears to envision an incremental process of offering partial sanctions relief in exchange for partial 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.”<sup>11</sup>

<sup>8</sup> The purchasing power parity method of calculating GDP accounts for how much people can buy for their money in a given country. Instead of simply measuring total output, the PPP GDP method attempts to gauge how much a person would have to pay in the local currency for a set basket of goods. That amount is then converted to the equivalent value in U.S. dollars, so that analysts can make cross-country standard of living comparisons.

<sup>9</sup> The Blue House, “Address by President Moon Jae-in on the 72<sup>nd</sup> Anniversary of Liberation,” August 15, 2017; The Blue House, “President Moon Hails US-NK Summit as ‘Historic Milestone for Peace,’” March 09, 2018; The Blue House, “2022 New Year’s Address by President Moon Jae-in,” January 3, 2022.

<sup>10</sup> The White House, “Press Gaggle by Press Secretary Jen Psaki Aboard Air Force One En Route Philadelphia, PA,” April 30, 2021; “National Security Adviser Jake Sullivan on President Biden's First Year in Office,” *C-Span*, Transcript of a December 17, 2021 Conversation at the Council on Foreign Relations.

<sup>11</sup> Jeongmin Kim, “Sung Kim: US Willing to Meet North Korea ‘Anytime, Anywhere,’” *NKNews*, June 21, 2021; State Department, *Department Press Briefing*, June 21, 2021; State Department, “Secretary Antony J. Blinken on ABC’s This Week with George Stephanopoulos,” May 23, 2021.

Incremental sanctions relief could be difficult to accomplish without congressional support, given limitations enacted into law under the past three Congresses.<sup>12</sup>

To implement his policy, Biden has appointed the U.S. Ambassador to Indonesia, Sung Kim, to serve concurrently as special representative for North Korea, a position he also occupied during the Obama Administration from 2014 - 2016. From 2011 - 2014, Ambassador Kim served as U.S. Ambassador to South Korea. Ambassador Kim has stated that his top priority “is to collaborate closely with my ROK counterparts” on North Korea’s denuclearization.<sup>13</sup>

Since January 2021, the United States and South Korea generally have avoided the public surfacing of differences over North Korea policy that occurred under the Trump Administration. (See “North Korea Policy Coordination under Obama and Trump.”) Moon has welcomed the Biden policy, arguing that it shows an openness for U.S.-DPRK dialogue. Biden has supported inter-Korean dialogue, and has said 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.<sup>14</sup>

As of mid-February 2022, North Korea has rejected U.S. offers to meet U.S. diplomats. DPRK leader Kim Jong-un has characterized U.S. offers of diplomacy as “no more than a petty trick for deceiving the international community and hiding its hostile acts,” specifically the continuation of U.S.-ROK military exercises, the maintenance of sanctions against North Korea, and South Korean acquisition of and advances in indigenous sophisticated military equipment.<sup>15</sup> North Korea also generally has ignored South Korean offers of aid, cooperation, and diplomatic engagement. Perhaps in reaction to the ongoing stasis in U.S.-DPRK and ROK-DPRK diplomacy as Moon approaches his May 2022 departure from office, in the late summer and early fall of 2021 Moon government officials began emphasizing their preference for pre-emptively offering a declaration formally ending the Korean War, which Moon argues will “help us start negotiations for denuclearisation and the peace in [sic] the Korean Peninsula.”<sup>16</sup> Some Members of Congress have supported pre-emptively issuing such an end-of-war declaration (see H.R. 3446 in the Legislation section below), while others have opposed doing so in the absence of comprehensive negotiations with North Korea.<sup>17</sup> Among Moon’s other efforts is an attempt to promote reunions among South Korean and North Korean family members who have been divided since the Korean War. In 2021, by a 415-0 vote, the House passed the Korean War Divided Families Reunification Act (H.R. 826), which would require the State Department to report to Congress on consultations with South Korea on potential opportunities to reunite Korean Americans with family in North Korea.

North Korea has continued to conduct cyber operations around the globe and to test short- and medium-range missiles. In September and October 2021, for example, North Korea test-launched three new missiles (long-range cruise missiles, short-range ballistic missiles launched from a train, and a hypersonic glide missile) and claimed it had developed a quicker fueling system. It

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<sup>12</sup> For more, see CRS Report R41438, *North Korea: Legislative Basis for U.S. Economic Sanctions*, by Dianne E. Rennack.

<sup>13</sup> Sung Kim, “My Hope for US-DPRK Diplomacy,” *Hankyoreh*, August 24, 2021.

<sup>14</sup> The White House, “U.S.-ROK Leaders’ Joint Statement,” May 21, 2021.

<sup>15</sup> Timothy Martin, “North Korea Sees U.S. as Ongoing Threat, Kim Jong Un Says in Speech,” *Wall Street Journal*, September 30, 2021.

<sup>16</sup> Office of the Prime Minister of Australia, “Press Conference Transcript,” December 13, 2021.

<sup>17</sup> Chaewon Chung, “US Lawmakers Urge White House to Reject End-of-War Declaration with North Korea,” *NK News*, December 8, 2021.

also test-launched what the South Korean military described as a submarine-launched ballistic missile.<sup>18</sup> In January 2022, North Korea conducted seven missile tests, including two it claimed demonstrated a new hypersonic glide vehicle that may be nuclear-capable.<sup>19</sup> Some analysts say that if these claims are true, these new capabilities would make North Korean missiles more difficult to detect and more adept at evading missile defenses.<sup>20</sup> Some analysts worry DPRK leader Kim Jong-un will abandon his four-year-old unilateral moratorium on nuclear tests and long-range ballistic missile tests.<sup>21</sup>

## South Korea's Response to Russia's Invasion of Ukraine

On February 24, 2022, following Russia's invasion of Ukraine, South Korea's National Security Council (NSC) reportedly "expressed strong regret" over Russia's actions and said "the government has no other option but to join sanctions against Russia, including export controls." Multiple media outlets said the NSC statement linked ROK sanctions to Russia proceeding to launch "a full-fledged war."<sup>22</sup> South Korea's response to Russia's actions, which in the build-up to the invasion many described as "cautious," is likely to be tempered by Seoul's strategic and economic interests.<sup>23</sup> Since the late 1980s, South Korean leaders have cultivated positive ties with Russia (and the Soviet Union before it) as a way to promote their strategic objectives, particularly toward North Korea.<sup>24</sup> Russia's veto power on the United Nations Security Council and its longstanding diplomatic and economic ties to Pyongyang provide it with opportunities to influence North Korea-related developments. Russo-ROK economic ties may also play a role in the Moon government's calculations. As South Korea's ninth-largest trading partner, Russia is an important source of South Korea's energy imports and is an economic gateway to Eurasia.<sup>25</sup> Hyundai Motors and Kia Motors together are Russia's top-selling automotive brands, and Hyundai Motors, Samsung Electronics, and LG Electronics have factories in Russia.<sup>26</sup> South Korea did not impose sanctions on Russia following its 2014 seizure of the Crimean Peninsula.

<sup>18</sup> Chaewon Chung, Jeongmin Kim, and Won-Gi Jung, "North Korea Launches Apparent SLBM toward East Sea, Seoul Says," *NK News*, October 18, 2021.

<sup>19</sup> Chaewon Chung, "North Korea Test-Fires Second Missile of 2022," *NKNews*, January 11, 2022.

<sup>20</sup> Bruce Klingner, "Why North Korea Unleashed a Flurry of Missile Tests," *The Heritage Foundation Commentary*, October 6, 2021.

<sup>21</sup> Benjamin Zimmer, "What a Path toward a Deal with Pyongyang Looks Like," *NKNews*, September 8, 2021.

<sup>22</sup> Kim Deok-hyun, "NSC Voices Strong Regret over Russia's Ukraine Attack," *Yonhap News Agency*, February 24, 2022.

<sup>23</sup> Lee Je-hun, "Why S. Korea Is Being Cautious When It Comes to Sanctioning Russia," *Hankyoreh*, February 24, 2022.

<sup>24</sup> Tobias Harris and Haneul Lee, "How Japan and South Korea Can Contribute to an International Response to a Russian Invasion of Ukraine," Center for American Progress, February 17, 2022.

<sup>25</sup> Korea Customs Service, "Trade Statistics by Country," accessed February 23, 2022 at [https://unipass.customs.go.kr/ets/index\\_eng.do](https://unipass.customs.go.kr/ets/index_eng.do); Anthony Rinna, "The Ukraine Crisis Tests South Korea's Commitment to Liberal Internationalism," *East Asia Forum*, February 18, 2022.

<sup>26</sup> Anna J. Park, "Heightened Tension in Ukraine to Hit Carmakers, Secondary Batteries," *Korea Times*, February 23, 2022; Lee Je-hun, "Why S. Korea Is Being Cautious When It Comes to Sanctioning Russia," *Hankyoreh*, February 24, 2022.

## Economic Ties: Bilateral Supply Chain Partnership Announced as U.S. Import Restrictions Remain

The Biden Administration has stated its interest in working more with South Korea, and other U.S. allies, to address global economic challenges, including as part of its supply chain security initiatives. At the May 2021 U.S.-ROK bilateral summit, the two countries announced plans to pursue greater cooperation on supply chain issues related to key industries, including electric vehicle batteries, semiconductors, and artificial intelligence.<sup>27</sup> South Korean companies also announced promises of \$25 billion in future U.S. investment in these industries.

To date, however, the Biden Administration's economic policy has focused largely on domestic issues and pandemic recovery. In addition, the Administration has maintained (and in one case extended) Trump-era import restrictions on certain South Korean imports, a result of action under trade authorities (Section 201 and Section 232) delegated by Congress in U.S. trade laws. Congress may consider whether these import restrictions reflect congressional intent under the delegated trade authorities and if such authorities would benefit from reform. A WTO panel ruled in early 2022, in response to a South Korean dispute initiated in 2018, that some aspects of the U.S. Section 201 import restrictions on washing machines violate WTO commitments. It is unclear how the Biden and Moon Administrations may seek to resolve the dispute. (See "U.S. Section 201 and 232 Import Restrictions Affecting South Korea.")

In late 2021, during a visit to South Korea, United States Trade Representative Katherine Tai noted the Administration's plans for an economic framework agreement in the Indo-Pacific region that could potentially include South Korea.<sup>28</sup> It is unclear what form the agreement may take, how it may relate to existing South Korea-U.S. Free Trade Agreement (KORUS FTA) commitments, and whether it would require congressional approval.<sup>29</sup> Some U.S. stakeholders, including several Members of Congress, have urged the Administration to focus on establishing regional rules on digital trade issues, including during a hearing on the issue in January.<sup>30</sup> The KORUS FTA's digital trade commitments have not been modified since they were originally negotiated in the mid-2000's and are less extensive than more recent digital trade disciplines negotiated by the United States, such as in the U.S.-Mexico-Canada Agreement (USMCA).<sup>31</sup>

## South Korea's March 2022 Presidential Election

The outcome of South Korea's March 9 presidential election could shape the extent to which Washington, DC and Seoul align on North Korea, China, and on a range of other issues that concern many Members of Congress.<sup>32</sup> Moon, elected in 2017, is ineligible to run again because

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<sup>27</sup> White House, "Remarks by President Biden and H.E. Moon Jae-in, President of the Republic of Korea," May 12, 2021.

<sup>28</sup> USTR, "Readout of Ambassador Katherine Tai's Meeting with Korean Minister of Employment and Labor An Kyung-Duk," November 19, 2021.

<sup>29</sup> CRS Insight IN11814, *Biden Administration Signals Plans for an Indo-Pacific Economic Framework*, coordinated by Brock R. Williams.

<sup>30</sup> Letter from Representatives Ami Bera, M.D., Steven Chabot, and Gerald Connolly, et al. to Honorable Katherine Tai, U.S. Trade Representative, November 19, 2021; U.S. Congress, House Committee on Foreign Affairs, Subcommittee on Asia, the Pacific, Central Asia and Nonproliferation, *Strategic Importance of Digital Economic Engagement in the Indo-Pacific*, 117<sup>th</sup> Cong., 2<sup>nd</sup> sess., January 19, 2022.

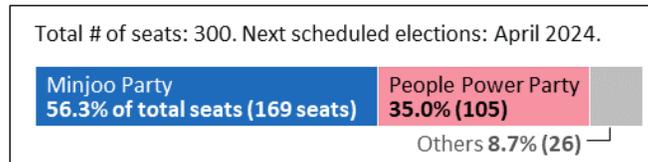
<sup>31</sup> For details on USMCA commitments, see CRS Report R44981, *The United States-Mexico-Canada Agreement (USMCA)*, by M. Angeles Villarreal and Ian F. Ferguson.

<sup>32</sup> For more on the likely importance of the 2022 election for South Korea's foreign policy future, see Victor Cha,

the ROK constitution limits presidents to one five-year term. Moon belongs to the left-of-center Minjoo (Democratic) Party, which holds a commanding majority in South Korea’s unicameral National Assembly over the right-of-center People Power Party (PPP) and other opposition groups. (See **Figure 1**.) Moon’s popularity fell markedly in 2021, however, to below 30% in some polls, due to complaints about soaring housing prices as well as about rising income inequality.<sup>33</sup> (For more, see “Increasing Housing Costs and Widening Inequality” below.)

Although South Korea’s two main parties support the ROK-U.S. alliance, they have notably different views on how to approach North Korea, China, and Japan. In general, compared to their conservative counterparts, Minjoo politicians often advocate for South Korea achieving greater strategic autonomy, for more conciliatory approaches to North Korea, and express greater distrust of Japan. Compared to their progressive counterparts, PPP politicians tend to emphasize the importance of maintaining a strong U.S.-ROK alliance, are more skeptical of the value of engaging North Korea, express less reluctance to enter into formal cooperative arrangements with Japan, and during their time as opposition party in recent years have become more willing to criticize China’s behavior.

**Figure 1. Party Strength in South Korea’s National Assembly**



**Source:** National Assembly website, December 31, 2021.

Thus far, the front-runners in the South Korean presidential campaign have been by the Minjoo Party’s **Lee Jae-myung** and the opposition, right-of-center People Power Party’s **Yoon Seok-youl**. Lee is the governor of Gyeonggi Province, which surrounds Seoul and Incheon. He has proposed a universal basic income policy that eventually would provide every South Korean with annual payments of 6 million *won* (around \$5,000), to be paid in monthly allocations.<sup>34</sup> (South Korea’s per capita GDP is around \$29,000, about half the U.S. level.) On foreign policy issues, Lee has said he would continue to expand Moon’s emphasis on engaging North Korea by establishing a Korean Peninsular “peace economy,” securing sanctions relief for North Korea, and obtaining permanent exemptions from sanctions for inter-Korean projects. He also has said sanctions should be “immediately reinstated” if North Korea does not uphold its denuclearization commitments. Stating that South Korea should assert its “spirit of independence,” when dealing with PRC-U.S. tensions, Lee has said, “There is no reason to choose either side to narrow the scope of our movement on our own.”<sup>35</sup>

A political newcomer, Yoon had a nearly three-decade career as a prosecutor before announcing his bid for the Presidency. In 2016, he helped lead the investigation into a corruption scandal that led to then-President Park Geun-hye’s impeachment and removal from office. Yoon has criticized the Moon government for being insufficiently committed to North Korea’s denuclearization, and has proposed making economic aid to North Korea and inter-Korean economic cooperation

“Why South Korea’s Presidential Election Matters to the U.S.,” *Foreign Policy*, January 26, 2022.

<sup>33</sup> “Moon’s Approval Rating at All-Time Low of 29%,” *Hankyoreh*, May 3, 2021.

<sup>34</sup> Song Jung-a and Edward White, “South Korea’s ‘Bernie Sanders’ Touts Universal Basic Income ahead of Polls,” *Financial Times*, October 11, 2021.

<sup>35</sup> Jeongmin Kim, “FULL TEXT: Presidential Candidate Lee Jae-myung’s North Korea Policy Statement,” *NK PRO*, August 23, 2021.

conditional upon North Korea's progress in denuclearizing. However, he has argued that humanitarian aid to ordinary North Koreans be provided unconditionally—which also is the Moon government's preferred approach—and has pledged to set up a permanent North-South-U.S. liaison office in the Demilitarized Zone (DMZ) separating the two Koreas.<sup>36</sup> Yoon also has said he would improve South Korea's relations with Japan and has supported South Korea's participation in the working groups of the Quadrilateral Security Dialogue (“the Quad”), a cooperative forum that includes Australia, India, Japan, and the United States.<sup>37</sup> Among Yoon's domestic economic pledges is to build hundreds of thousands of subsidized housing units to help reign in soaring real estate prices.

If the presidential race between Lee and Yoon is close, the performance of third-party candidates could prove decisive. In the country's seven presidential elections since the end of military rule in 1987, only the 2012 race produced a winner who captured a majority of the vote. The alternative party candidate with the most support in polls, generally in the 10%-15% range as of mid-January, is Ahn Cheol-Soo, the head of the small People's Party (not to be confused with the People Power Party). Ahn's poll numbers have increased since mid-December, when they generally were in the single digits, raising speculation that he and Yoon may form a unified opposition ticket.<sup>38</sup> Ahn also ran in the 2012 election, ultimately withdrawing to back Moon's failed bid, and the 2017 election, when he finished third, receiving 21% of the vote.

## South Korea's COVID-19 Response

Despite being one of the countries first hit by COVID-19 in early 2020, South Korea has prevented infections and deaths to a much greater degree than most higher-income countries, without resorting to lockdowns. As of February 17, 2022, the country reported around 1.7 million cumulative cases and around 7,200 deaths. South Korea's population is over 51 million, or about 1/6<sup>th</sup> the population of the United States. Over 90% of the country's cases and two-thirds of its COVID-19 deaths occurred during the nearly eight-month period between June 2021 and mid-February 2022, the period the more contagious Delta and Omicron variants are presumed to have spread to and within South Korea.<sup>39</sup>

The spread of the COVID-19 Delta variant, combined with a slow start to South Korea's vaccination campaign, led the Moon government in the late spring of 2021 to accelerate its attempts to acquire vaccines, including in the weeks before the May 2021 Biden-Moon summit. In part as a result of these efforts, by late January 2022, over 85% of the population had been fully vaccinated, and over 50% had received booster shots.<sup>40</sup> Under the May 2021 U.S.-ROK vaccine partnership, South Korean biopharmaceutical companies plan to mass-produce and

<sup>36</sup> Jeongmin Kim, “Yoon Seok-youl, Wild Card on North Korea, Wins Conservative Presidential Primary,” *NKNews*, November 5, 2021.

<sup>37</sup> Yosuke Onchi, “South Korean Presidential Hopeful Looks to Improve Ties with Japan,” *Nikkei Asia*, September 23, 2021; “Yoon Pledges to Normalize Military Drills with U.S., Enhance Deterrence against North,” *Yonhap News Agency*, January 24, 2022; Yoon Seok-youl, “South Korea Needs to Step Up,” *Foreign Affairs*, February 8, 2022.

<sup>38</sup> Nam Hyun-woo, “Opposition Candidates Face Growing Pressure to Form Coalition,” *Korea Times*, January 10, 2022.

<sup>39</sup> Derived from Korea Disease Control and Prevention Agency (KDCA) data, as reported by *Yonhap News Agency*. About half of South Korea's cumulative cases, and about one-fifth of its cumulative COVID deaths, occurred between January 1 and February 11, 2022.

<sup>40</sup> “S. Korea Hits Grim COVID-19 Milestone of Over 13,000 Daily Cases, New All-Time High Expected as Omicron Fears Worsen,” *Yonhap News Agency*, January 26, 2022.

export U.S.-developed vaccines. U.S. vaccine developers are to invest in ROK-based production facilities.<sup>41</sup>

The government's relative success in responding to COVID-19 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, public communication, widespread mask-wearing, and episodic restrictions on social gatherings that generally have been calibrated to the severity of the outbreak in a particular geographic location. At times, South Korea has prohibited large gatherings, including anti-government rallies, prompting international criticism.<sup>42</sup>

## South Korea Expands its Regional Diplomacy: CPTPP and Australia

For years, as great power rivalry has intensified in the Indo-Pacific region, South Korea has been relatively inactive in major Indo-Pacific diplomatic and strategic partnerships and agreements compared to the United States and many other U.S. regional allies, especially Japan and Australia, despite U.S. efforts to encourage Seoul to increase its involvement. With the exception of the 15-country Regional Comprehensive Economic Partnership (RCEP), which took effect for South Korea in February 2022, South Korea generally has eschewed the region's major new institutions and multi-country arrangements, such as the Quad. President Moon's 2017 New Southern Policy of deepening relations with Southeast Asia and India largely has focused on economic matters, and for years efforts to develop linkages between the New Southern Policy and the United States' Indo-Pacific policy remained nascent.<sup>43</sup>

In late 2021, Moon took steps that could signal a deeper South Korean effort to play a greater role in regional power dynamics beyond the Korean Peninsula. In December, senior government officials announced that, in accordance with South Korean legal requirements for entering into economic agreements, they would begin discussing with domestic stakeholders the implications of joining the 11-nation Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). The Moon government plans to seek to apply formally for membership by the time Moon leaves office in May 2022.<sup>44</sup> The CPTPP is the successor arrangement to the Trans-Pacific Partnership (TPP), from which President Trump withdrew the United States in 2017. In the fall of 2021, China and Taiwan formally applied to join CPTPP, moves that may have contributed to South Korea's announcement.<sup>45</sup> (For more, see the "Bilateral Economic Relations" section.)

In another regional move in December 2021, Moon became the first foreign leader to visit Australia since the COVID-19 pandemic struck. In Canberra, he and Prime Minister Scott

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<sup>41</sup> The Blue House, "Remarks by President Moon Jae-in at ROK-U.S. Vaccine Partnership Establishment Event," May 22, 2021.

<sup>42</sup> Human Rights Watch, "South Korea: Events of 2020," in *World Report 2020*, 2021, p. 606; Mason Richey, "Dark Side of the Moon in South Korea's COVID-19 Response," *East Asia Forum*, July 17, 2020

<sup>43</sup> Miyeon Oh, *Beyond the Peninsula: Prospects for US-ROK Regional Cooperation in the Indo-Pacific*, The Atlantic Council, September 2021.

<sup>44</sup> Jaewon Kim, "South Korea Takes Step to Join CPTPP, following China and Taiwan," *Nikkei Asia*, December 13, 2021; "Finance Minister: Gov't Seeking to Submit Application to Join CPTPP within Moon's Term," *KBS*, December 16, 2021.

<sup>45</sup> CRS Insight IN11760, *China and Taiwan Both Seek to Join the CPTPP*, by Brock R. Williams and Michael D. Sutherland.

Morrison announced a new Comprehensive Strategic Partnership, agreeing to closer cooperation between the two countries' defense industries as well as expanded cooperation on supply chain resilience in key minerals, pandemic response, infrastructure and digital technology assistance programs in Southeast Asia, space, and digital trade. As part of the summit, the Australian Defence Department signed a nearly \$1 billion agreement with the South Korean conglomerate Hanhwa to build self-propelled artillery equipment and other material for the Australian Army, to be manufactured in Australia. Although Moon emphasized the economic aspects of the partnership more than the strategic elements, and the two leaders did not cite the PRC as a factor in their partnership, their joint statement mentioned many of the same PRC-related themes as the May 2021 Biden-Moon summit, with the notable exception of Taiwan. They also announced expanded cooperation on a number of the same issues—including supply chains, COVID-19 coordination, infrastructure cooperation in the Indo-Pacific, and climate change—on which the United States has been seeking to deepen cooperation with its Indo-Pacific allies and partners.<sup>46</sup>

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<sup>46</sup> Office of the Prime Minister of Australia, "Australia-ROK Comprehensive Strategic Partnership," December 13, 2021; Office of the Prime Minister of Australia, "Press Conference Canberra, ACT," December 13, 2021; Jeffrey Robertson, "Australia's 'China' Blinders on South Korea," *The Interpreter*, The Lowy Institute, December 16, 2021.

Figure 2. Map of the Korean Peninsula



**Source:** Map produced by CRS using data from ESRI, and the State Department’s Office of the Geographer.

**Notes:** The “Cheonan Sinking” refers to the March 2010 sinking of a South Korean naval vessel, the *Cheonan*, killing over 40 ROK sailors. A multinational investigation led by South Korea determined that the vessel was sunk by a North Korean submarine. Yeonpyeong Island was attacked in November 2010 by North Korean artillery, which killed four South Koreans (two marines and two civilians) and wounded dozens.

\* This map reflects geographic place name policies set forth by the United States Board on Geographic Names pursuant to P.L. 80-242. In applying these policies to the case of the sea separating the Korean Peninsula and the Japanese Archipelago, the board has determined that the “Sea of Japan” is the appropriate standard name for use in U.S. government publications. The Republic of Korea refers to this body of water as the “East Sea.” It refers to the “Yellow Sea” as the “West Sea.”

# Background on U.S.-South Korea Relations

## Overview

Although the U.S.-South Korea relationship is complex and multifaceted, five factors arguably drive the scope and state of relations between the two allies, as well as congressional interest in U.S.-South Korea relations:

- the challenges posed by North Korea, particularly its weapons of mass destruction programs, cyber-attacks, as well as occasionally different perceptions about the level and nature of the threats posed by the Kim Jong-un regime, through its actions and/or the risk of its collapse;
- the PRC's rising influence and assertiveness, which has made China an increasingly integral consideration in many aspects of U.S.-South Korea strategic and economic policymaking;
- South Korea's status as one of the world's leading economies and its firms' integral role in the supply chain of several key industries, which have made the South Korean government and South Korean conglomerates key players in discussions over issues such as the shape of the region's economic institutions, supply chain resiliency, and digital trade;
- South Korea's continued democratization since military rule ended in 1988, which has increased the influence public opinion often has on Seoul's foreign policy; and
- the growing desire of South Korean leaders to use the country's middle-power status to achieve greater autonomy, including within the U.S.-ROK alliance, and to play a larger regional global role.

Additionally, while people-to-people ties generally do not directly affect matters of “high” politics in bilateral relations, the presence of over 2 million Korean Americans and the hundreds of thousands of trips taken annually between the two nations before the COVID-19 pandemic has helped cement the two countries together culturally and economically. Over the past decade, the global successes of South Korean cultural content producers—including pop music groups BTS and Blackpink, video productions such as the Academy-award winner *Parasite* and the Netflix hit *Squid Game*, and world-class video game companies and competitors—has boosted the appeal of South Korea generally, arguably expanding the South Korean government's potential influence regionally and globally.<sup>47</sup> Six South Korean presidents have addressed joint meetings of Congress since the ROK's founding in 1948. The last was President Park Geun-hye, in May 2013.<sup>48</sup>

<sup>47</sup> Sue Mi Terry, “The Korean Invasion. Can Cultural Exports Give South Korea a Geopolitical Boost?” *Foreign Affairs*, October 14, 2021.

<sup>48</sup> The other addresses to joint meetings of Congress by South Korean presidents have been as follows: Rhee Syngman, July 28, 1954; Roh Tae Woo, October 18, 1989; Kim Young Sam, July 26, 1995; Kim Dae Jung, June 10, 1998; and Lee Myung-bak, October 13, 2011. Neither South Korean who was president during South Korea's period of military rule, Park Chung Hee (1961-1979) nor Chun Doo Hwan (1979-1988), received the honor of addressing a joint meeting of Congress. Neither did Roh Moo-hyun (2003-2008). South Korea-U.S. tensions spiked during Roh's presidency. Current president Moon Jae-in (elected in 2017) has not addressed a joint meeting.

According to multiple polls conducted in recent years, over 85% of South Koreans say they value the U.S.-ROK alliance and over 70% have positive opinions of the United States.<sup>49</sup> Since at least 2014, South Koreans have consistently indicated that the United States is their favorite nation, according to one opinion poll.<sup>50</sup> However, many South Koreans chafe when they feel their leaders offer too many concessions to the United States. In addition, many South Korean officials tend to be wary of being drawn into U.S. policies that they perceive as possibly antagonizing China, and to be suspicious of Japan's efforts—generally backed by the United States—to increase its influence in East Asia, including in the military sphere. These concerns are particularly articulated by South Korea's progressive groups such as President Moon's Minjoo Party.

## Historical Background

The United States and South Korea have been allies since the United States intervened on the Korean Peninsula in 1950 and fought with ROK troops and allied nations to repel a North Korean takeover of South Korea. Over 36,000 U.S. troops died and over 100,000 were wounded in-theater during the three-year conflict.<sup>51</sup> On October 1, 1953, a little more than two months after the parties to the conflict signed an armistice agreement, the United States and South Korea signed a Mutual Defense Treaty, which provides that if either party is attacked by a third country, the other party will act to meet the common danger. On January 26, 1954, the Senate ratified the treaty by a vote of 81-6.<sup>52</sup>

Beginning in the 1960s, rapid economic growth propelled South Korea into the ranks of the world's largest industrialized countries. For over two decades, South Korea has been one of the United States' largest trading partners. Economic growth, coupled with South Korea's transformation in the late 1980s from a dictatorship to a democracy, also has helped transform the ROK into a mid-level regional power that can influence U.S. policy in Northeast Asia, particularly the United States' approach toward North Korea.

<sup>49</sup> A 2021 South Korean government survey reported that over 90% of South Korean respondents stated their belief that maintaining the U.S.-ROK alliance is "necessary." Lee, et. al., *KINU Unification Survey 2021. US-China Conflict & South Korean Public Opinion*, Korea Institute for National Unification, 2021. According to a 2020 Chicago Council on Global Affairs survey, 90% of South Korean respondents say they support the U.S.-ROK alliance, a figure little changed from the 92% recorded the organization's 2019 survey. Karl Friedhoff, *Troop Withdrawal Likely to Undermine South Korean Public Support for Alliance with United States*, Chicago Council on Global Affairs, August 3, 2020. According to regular Pew Research Center surveys through 2019, nearly 80% of South Koreans regularly register a "favorable" opinion of the United States, compared to less than 50% in 2003. In the Center's 2020 survey, the United States' favorability fell to 54% before rebounding to 77% in 2021. Pew Research Center, *America's Image Abroad Rebounds with Transition from Trump to Biden*, June 10, 2021.

<sup>50</sup> Asan Institute for Policy Studies. "South Koreans and Their Neighbors 2019," April 26, 2019, at <http://en.asaninst.org/contents/south-koreans-and-their-neighbors-2019/>.

<sup>51</sup> U.S. Department of Defense, Defense Casualty Analysis System, accessed October 2021 at [https://dcas.dmdc.osd.mil/dcas/pages/report\\_korea\\_sum.xhtml](https://dcas.dmdc.osd.mil/dcas/pages/report_korea_sum.xhtml).

<sup>52</sup> Government Publishing Office, *Congressional Record Bound Edition – Senate*, 83<sup>rd</sup> Congress, 2<sup>nd</sup> session, January 26, 1954. By a separate voice vote, the full Senate also approved an interpretive "understanding" reported by the Senate Foreign Relations Committee that the treaty only obligated the United States to aid the ROK for an attack "against territory which has been recognized by the United States as lawfully brought under the administrative control of the Republic of Korea." The understanding reflected Senators' concerns, which were raised during a "searching" Committee discussion, that the ROK might seize territory through an unprovoked attack or another means that the United States regarded as unlawful. At the time, South Korean president Rhee Syngman, who opposed the 1953 armistice that had halted major conflict, had threatened to attack North Korea, possibly triggering a renewed war. U.S. Senate, Executive Report, *Mutual Defense Treaty with Korea*, Committee on Foreign Relations, Exec. Rept. No.1, 83<sup>rd</sup> Congress, 2<sup>nd</sup> session, January 21, 1954.

Between 2009 and the end of 2016, relations between the United States and South Korea (known officially as the Republic of Korea, or ROK) arguably were at their most robust since the formation of the U.S.-ROK alliance in 1953. Cemented by strong relationships with two successive conservative governments in Seoul, U.S.-South Korea cooperation on North Korea policy was particularly close, with the two countries essentially forging and continuously adapting a joint approach in the face of a changing threat from Pyongyang.

Under the administrations of Donald Trump and Moon Jae-in, who was elected in May 2017, the relationship became more strained. Although the two governments cooperated across a range of issues and their publicly stated policies toward North Korea overlapped, subtle and not-so-subtle differences in approach to North Korea, China, and trade made collaboration more difficult. The election of Moon, a progressive politician who assumed the presidency after a decade of conservative rule, on its own likely would have made U.S.-South Korea relations more challenging because of his stated desire to engage with North Korea at a time the U.S. alarm over the North Korean threat was rising. These bilateral differences were exacerbated by the Trump Administration's actions and President Trump's words, particularly his open talk of attacking North Korea in 2017, his Administration's frequently mixed signals on its approach toward Pyongyang, and reports that he wanted to withdraw from the KORUS FTA and pull troops out of South Korea.<sup>53</sup> In efforts to forestall the latter, the 115<sup>th</sup> and 116<sup>th</sup> Congresses inserted provisions into the National Defense Authorization Acts (P.L. 115-232; P.L. 116-92) that conditioned the President's authority to reduce the number of U.S. troops in South Korea. (For more details, see the "Security Relations and the U.S.-ROK Alliance" section.)

## North Korea in U.S.-ROK Relations

### Overview

South Korea's growing economic, diplomatic, and military power over the past generation has given Seoul a more direct and prominent role in Washington's planning and thinking about how to deal with Pyongyang. Additionally, North Korean leader Kim Jong-un has linked progress on denuclearization talks and in inter-Korean relations to the cessation of U.S. joint military exercises with South Korea and shipments of advanced military equipment to South Korea.<sup>54</sup> As South Korea has become a more powerful and assertive actor, its leaders often have pushed for a greater say in policy. Differences in approach can complicate U.S. interests. Although leaders in both countries have sought North Korea's denuclearization, the two sides at times place a different emphasis on the extent to which the pursuit of improvements in inter-Korean relations should be linked to progress in the denuclearization goal.

Another complicating factor in policy collaboration has been North Korea's apparent progress in being able to militarily strike the United States. On the one hand, this means the United States' security is becoming more intertwined with South Korea's and the U.S.-ROK alliance's ability to influence North Korea's behavior. On the other hand, a greater sense of threat could lead to future scenarios where U.S. policymakers feel they need to act in a unilateral fashion against a feared North Korean attack.<sup>55</sup> Yet another complication is that North Korea's ability to target U.S.

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<sup>53</sup> Bob Woodward, *Rage* (New York: Simon and Schuster, 2020), pp. 36, 69; John Bolton, *The Room Where It Happened. A White House Memoir* (New York: Simon and Schuster, 2020), Chapter 4, Chapter 11.

<sup>54</sup> Timothy Martin, "North Korea Sees U.S. as Ongoing Threat, Kim Jong Un Says in Speech," *Wall Street Journal*, September 30, 2021.

<sup>55</sup> For more about how this discussion transpired in 2017 and early 2018, when the Trump Administration contemplated

overseas bases and perhaps the U.S. homeland, including with a nuclear weapon, could cause some in South Korea to doubt U.S. commitment to South Korea's defense, a perception that could provide an incentive for South Koreans to adopt more independent North Korea policies from the United States.

## North Korea Policy Coordination under Obama and Trump

From 2009 to 2016, the Obama Administration and its South Korean counterparts, the Lee Myung-bak (2008-2013) and Park Geun-hye (2013-2017) governments, maintained tight coordination over North Korea policy, following a joint approach—often called “strategic patience”—that involved elements of both engagement and pressure.<sup>56</sup> Washington and Seoul tended to reach out to North Korea during relatively quiescent periods. In contrast, they tended to emphasize pressure tactics during times of increased tension with North Korea. In 2016, in response to Pyongyang's nuclear tests and missile launches, Washington and Seoul placed significant emphasis on the harder elements of their approach, expanding multilateral and unilateral sanctions and engaging in muscular displays of military cooperation.

The Trump Administration initially expanded upon these pressure tactics, for instance by securing a dramatic expansion of United Nations Security Council (UNSC) international sanctions in 2017 before pivoting to top-down diplomacy in 2018 and 2019.<sup>57</sup> Under the Trump and Moon administrations, however, bilateral cooperation over North Korea often appeared to occur in a fits-and-starts manner. Although there was considerable overlap in the countries' approaches to North Korea, there also were important differences that occasionally surfaced publicly. These often had to do either with Moon's desire to offer more and earlier concessions to Pyongyang than Washington preferred, or to one side or the other adopting a position without significant prior consultation.

The current period of U.S.-DPRK diplomacy under the Biden Administration in many ways began in January 2016, when North Korea conducted its fourth nuclear test. Over the following two years, Pyongyang conducted two additional nuclear tests and scores of missile tests, demonstrating major strides in its ability to strike the continental United States with a nuclear-armed ballistic missile. The Obama and Trump Administrations, supported by the Park

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launching a preventive attack against North Korea, see CRS Report R44994, *The North Korean Nuclear Challenge: Military Options and Issues for Congress*, coordinated by Kathleen J. McInnis. Multiple times during the crisis, Moon made statements saying, “Our top priority is to maintain peace on the Korean Peninsula. No military action on the Korean Peninsula shall be taken without prior consent of the Republic of Korea.” The Blue House, “Address by President Moon Jae-in at the National Assembly,” November 1, 2017.

<sup>56</sup> Strategic patience consisted of four main components:

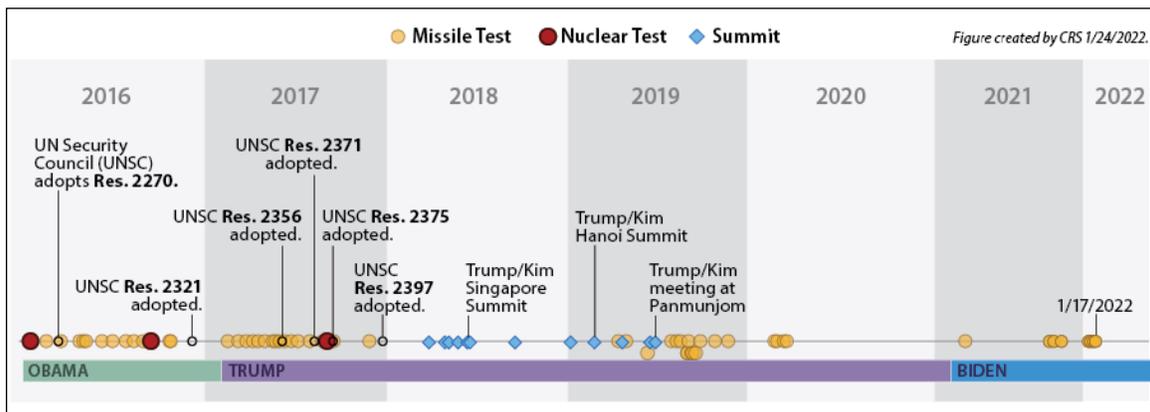
- keeping the door open to Six-Party Talks over North Korea's nuclear program but refusing to restart them without a North Korean assurance that it would take “irreversible steps” to denuclearize;
- insisting that Six-Party Talks and/or U.S.-North Korean talks must be preceded by North-South Korean talks on denuclearization and improvements in North-South Korean relations;
- gradually attempting to alter China's strategic assessment of North Korea; and
- responding to Pyongyang's provocations by tightening sanctions against North Korean entities and conducting a series of U.S.-ROK military exercises.

<sup>57</sup> Congress passed multiple measures expanding U.S. sanctions against North Korea, including the North Korea Sanctions and Policy Enhancement Act of 2016 (P.L. 114-122), the Korean Interdiction and Modernization of Sanctions Act (title III of the Countering America's Adversaries Through Sanctions Act (P.L. 115-44), and the Otto Warmbier North Korea Nuclear Sanctions and Enforcement Act of 2019 (P.L. 116-92, division F, title LXXI, Sections 7101-7155, National Defense Authorization Act for FY2020). For more, see CRS Report R41438, *North Korea: Legislative Basis for U.S. Economic Sanctions*, by Dianne E. Rennack.

government and the caretaker administration that governed during the months after Park was removed from office in 2016, responded by expanding multilateral and unilateral sanctions against North Korea.

After taking office in May 2017, Moon supported the “maximum pressure” campaign that the Trump Administration declared earlier that year, but he also retained his longstanding preference for engaging Pyongyang. During 2017, Trump Administration officials, including the President, repeatedly raised the possibility of launching a preventive military strike against North Korea, which could have triggered DPRK retaliation against South Korea. The combination of the fear of war, an ideological preference for engagement, and a belief that South Korea should shape the future of the Korean Peninsula drove Moon to improve inter-Korean relations and push for U.S.-DPRK talks. Moon argues that expanded relations between Seoul and Pyongyang could create a path to peace on the Peninsula, greater stability and economic prosperity for South Korea, North Korean denuclearization, and—over the long run—eventual reunification.<sup>58</sup>

**Figure 3. Timeline of North Korean Ballistic Missile and Nuclear Tests, U.N. Security Council Sanctions and Kim Jong-un’s Major Summits, 2016-2022**



In 2018, DPRK leader Kim Jong-un declared “victory” in developing nuclear warhead and ICBM capability, said he would suspend nuclear testing, and signaled his willingness to engage in talks with the United States and South Korea.<sup>59</sup> Kim and Moon met three times during the year, both before and after a Trump-Kim summit with Trump in Singapore in June, a meeting Moon helped broker. During his diplomatic outreach, Kim pledged to: “work toward complete denuclearization of the Korean Peninsula;” not conduct nuclear or long-range missile tests while dialogue with the United States continues; and allow the “permanent dismantlement” of North Korea’s Yongbyon nuclear site.<sup>60</sup> He and Moon also negotiated a military confidence-building arrangement that

<sup>58</sup> See, for instance, The Blue House, “Address by President Moon Jae-in on the 72<sup>nd</sup> Anniversary of Liberation,” August 15, 2017; The Blue House, “Opening Remarks by President Moon Jae-in at Meeting with His Senior Secretaries,” April 15, 2019; and The Blue House, “2022 New Year’s Address by President Moon Jae-in,” January 3, 2022.

<sup>59</sup> Korea Central News Agency, “3<sup>rd</sup> Plenary Meeting of 7<sup>th</sup> C.C., WPK Held in Presence of Kim Jong Un,” April 21, 2018.

<sup>60</sup> “South Korean TV Carries Full Text of South Korean Special Envoy’s Briefing on Result of North Visit,” Open Source Enterprise, March 6, 2018, KPW2018030647866849 Seoul YTN in Korean; The White House, “Remarks by Republic of Korea National Security Advisor Chung Eui-Yong,” March 8, 2018. The White House, “Joint Statement of President Donald J. Trump of the United States of America and Chairman Kim Jong Un of the Democratic People’s Republic of Korea at the Singapore Summit,” June 12, 2018; and The Blue House, “Pyeongyang Joint Declaration of September 2018,” September 19, 2018.

called for reduced military activity around the border and removes guard posts along the demilitarized zone (DMZ).<sup>61</sup>

Kim and Trump met again in Hanoi in February 2019, with Moon's support. The Hanoi summit collapsed, however, due to differences over the scope and sequencing of concessions, specifically North Korean denuclearization measures in exchange for sanctions relief. Despite a third Trump-Kim meeting in Panmunjom for one hour in June 2019—Moon was present for part of the meeting—subsequent U.S.-DPRK and inter-Korean diplomacy stalled.<sup>62</sup> When the COVID-19 pandemic began in early 2020, North Korea responded by sealing itself off from the outside world. North Korean diplomats are not known to have had substantive contact with their U.S. or ROK counterparts since. Moreover, since May 2019, North Korea has conducted multiple short-range ballistic missile tests in violation of U.N. prohibitions.

Under Moon, Seoul generally has favored offering more and earlier concessions to Pyongyang than Washington. International and U.S. sanctions, however, prevent Moon from doing more without U.S. approval, contributing to periodic tensions that surfaced under the Trump Administration. For instance, in the fall of 2018, following the signing of an inter-Korean military agreement and weeks of South Korean efforts to initiate inter-Korean economic projects, the Treasury Department's Office of Terrorism and Financial Intelligence reportedly called executives in charge of compliance at seven South Korean banks expressing "concern" about premature financial cooperation between the two Koreas, and to issue reminders about U.N. and U.S. sanctions.<sup>63</sup> Partially to prevent these types of incidents, in November 2018, the United States and ROK created a working group that helped improve coordination despite significant disagreements in approach.<sup>64</sup> The Biden and Moon administrations disbanded the working group, which the Biden Administration said was unnecessary because of "close and constant coordination."<sup>65</sup>

## Security Relations and the U.S.-ROK Alliance

The United States and South Korea are allies under the 1953 Mutual Defense Treaty, under which each country "recognizes that an armed attack in the Pacific area on either of the Parties... would

<sup>61</sup> "Agreement on the Implementation of the Historic Panmunjom Declaration in the Military Domain," September 19, 2018, available at <http://www.ncnk.org>.

<sup>62</sup> For more details and analysis of the Trump-Kim diplomacy, see CRS Report R45033, *Nuclear Negotiations with North Korea*, by Mark E. Manyin, Emma Chanlett-Avery, and Mary Beth D. Nikitin.

<sup>63</sup> Joyce Lee, "U.S. Treasury Calls Reveal 'Deep Concern' Over South Korea Banks' North Korea Plans," *Reuters*, October 22, 2018.

<sup>64</sup> Another example of these latent bilateral tensions surfacing occurred in mid-January 2020. President Moon in his annual New Year's press conference said "Inter-Korean relations is our problem, so we have to have a willingness to make progress a little more independently," and he and members of his Cabinet began mentioning the possibility of seeking exemptions from U.N. sanctions and of allowing South Korean citizens to conduct "independent" tours in North Korea, which are not prohibited per se by U.N. sanctions. "Moon Says it's Early to be Pessimistic about Dialogue with N. Korea," *Korea Now*, January 14, 2020. Days later, then-U.S. Ambassador to South Korea Harry Harris reportedly said that South Korean proposals to allow independent tourism to North Korea should be discussed in the U.S.-South Korean working group on North Korea "to avoid a misunderstanding later that could trigger" U.S. or U.N. sanctions and to coordinate possible DMZ crossings with the U.N. Command. The following day, an official with the Blue House (South Korea's presidential office) reportedly said that although Seoul "always" closely consults with Washington, "it's very inappropriate for the ambassador to make such a mention for media over remarks by the president of the hosting nation." Chad O'Carroll, "U.S. Should be Consulted on Potential South Korean Tourism to the North: Harris," *NKNews*, January 16, 2020; Josh Smith, "U.S. Ambassador Becomes Moustachioed Face of South Korean Discontent," *Reuters*, January 17, 2020.

<sup>65</sup> State Department, "Ned Price, Department Spokesperson Department Press Briefing," June 22, 2021.

be dangerous to its own peace and safety and declares that it would act to meet the common danger.”<sup>66</sup> Under Article IV of the agreement, U.S. military personnel have maintained a continuous presence on the Korean Peninsula and are committed to helping South Korea defend itself, particularly against any aggression from the North. South Korea is included under the U.S. “nuclear umbrella,” also known as “extended deterrence.”<sup>67</sup> About 28,500 U.S. troops are stationed in the ROK. The origins of the military partnership stem from the 1950-1953 Korean War, during which over 36,000 Americans died in-theater.<sup>68</sup> South Korea sent more troops to join the Vietnam War than any other country other than the United States, and since has joined other U.S.-led conflicts in the Persian Gulf, Afghanistan, and Iraq. South Korea has dispatched 57,000 troops to 30 countries at the request of the United States or the United Nations.<sup>69</sup> A late 2019 poll—in the midst of a contentious standoff in burden-sharing negotiations—indicated that 92% of South Koreans supported the alliance with the United States.<sup>70</sup>

Together the allies maintain formidable capabilities. The ROK armed forces today total 599,000 active duty troops.<sup>71</sup> In 2020, South Korea had the 10<sup>th</sup>-largest defense spending in the world, constituting about 2.8% of its GDP.<sup>72</sup> Under a program known as Defense Reform 2.0, South Korea is investing heavily in new military equipment. Plans include a 30,000–35,000-ton LPX-II light aircraft carrier that are to host F-35B combat aircraft and helicopters.<sup>73</sup> In addition to these investments in technology, the ROK military is integrating civilian expertise as ground troop numbers decline.<sup>74</sup> USFK operates about 90 combat planes, 40 attack helicopters, 50 tanks and some 60 Patriot missile launchers, according to South Korea’s 2020 Defense White Paper.<sup>75</sup>

Since assuming office in 2017, Moon has accelerated South Korea’s drive to increase its indigenous military capabilities. In August 2020, the Ministry of National Defense (MND) announced plans to increase defense spending by 35% by 2025, which would put South Korea’s defense budget on a trajectory to surpass Japan’s over the coming decade.<sup>76</sup> Although the Mid-

<sup>66</sup> U.S. Department of State, *United States Treaties and Other International Agreements*, Volume 6, Part 3, United States, 1954, Article III.

<sup>67</sup> The May 2021 joint statement between Biden and Moon says, “President Biden affirms the U.S. commitment to provide extended deterrence using its full range of capabilities.” White House, “U.S.-ROK Leaders’ Joint Statement,” May 21, 2021.

<sup>68</sup> U.S. Department of Defense, Defense Casualty Analysis System, accessed October 2021 at [https://dcas.dmdc.osd.mil/dcas/pages/report\\_korea\\_sum.xhtml](https://dcas.dmdc.osd.mil/dcas/pages/report_korea_sum.xhtml).

<sup>69</sup> Yang Jung Chul, “A New Look at the Korea-U.S. Alliance,” CSIS Commentary, April 27, 2021.

<sup>70</sup> Karl Friedhoff, “While Positive toward US Alliance, South Koreans Want to Counter Trump’s Demands for Support,” *Chicago Council on Global Affairs*, December 16, 2019.

<sup>71</sup> Military reforms in South Korea aim to reduce the size of the active duty force to 522,000 in 2022. Even with this reduction, decreasing birth rates in South Korea are expected to lead to a deficit in military conscripts, which account for close to half of the country’s total military force. South Korea has reserve force of 3.1 million. International Institute for Strategic Studies, “Chapter Six: Asia,” in *The Military Balance 2021*, 2021, p. 277; Chung Min Lee, “South Korea’s Military Needs Bold Reforms to Overcome a Shrinking Population,” *Carnegie Endowment for International Peace*, June 29, 2021.

<sup>72</sup> Stockholm International Peace Research Institute Fact Sheet, *Trends in Military Expenditure*, April 2021.

<sup>73</sup> Chapter Six, “Asia,” *The Military Balance* Volume 121, 2021 - Issue 1, February 24, 2021, accessed at <https://www.tandfonline.com/doi/full/10.1080/04597222.2021.1868795>.

<sup>74</sup> Chung Min Lee, “South Korea Needs Bold Reforms to Overcome Shrinking Population,” *Carnegie Endowment for International Peace*, June 29, 2021.

<sup>75</sup> South Korea Ministry of National Defense, *2020 Defense White Paper*, provided to CRS in 2021.

<sup>76</sup> International Institute for Strategic Studies, *Military Balance: Chapter Six, Asia*, p. 226-27; Hiroyuki Akita, “Time for Japan to Concede South Korea Has Better Defense Strategy,” *Nikkei Asia*, June 24, 2021.

Term Defense plan outlined more modest increases, South Korea nevertheless appears poised to significantly expand its defense spending.<sup>77</sup> The increases aim to boost acquisitions, facilitate the transfer of wartime operational control (OPCON; see “OPCON Transfer”), and respond to South Korea’s demographic challenges, which constrain its conscription forces. The moves also reflect a response to North Korea’s military advancements and a longstanding desire by progressive South Korean leaders, including Moon, to expand South Korea’s influence over military matters on the Korean Peninsula. South Korea’s increasing economic and military capabilities, combined with North Korea’s increased ability to threaten the United States with nuclear attack, leads some long-standing critics of the U.S.-ROK alliance to argue that the United States should consider withdrawing some or all of its troops from the Peninsula and/or terminate its defense commitments to South Korea.<sup>78</sup>

Congress has a variety of routine means to influence the executive branch’s handling of the U.S.-ROK alliance. The House and Senate Armed Services Committees generally hold annual hearings, usually in the first quarter of the year, on U.S. military activities in the Indo-Pacific that include the USFK Commander. These hearings provide opportunities for Members to raise questions about alliance issues such as alliance coordination beyond the Korean Peninsula, the impact of the interruption of major bilateral military exercises since 2018, and the effectiveness of bilateral extended deterrence discussions. Additionally, the annual National Defense Authorization Act (NDAA) usually includes multiple provisions related to South Korea and North Korea. From 2018-2020, for instance, some Members who sought to restrain President Trump’s ability to make significant shifts in force structure in the region inserted into the NDAA provisions prohibiting the use of funds to reduce USFK forces below certain levels unless specific conditions were met.<sup>79</sup>

### Alliance Coordination: Beyond the Peninsula?

In 2021, U.S. and South Korean military leaders spoke of “promoting defense and security cooperation” in the Indo-Pacific, echoing language expressed in the May 2021 Biden-Moon statement. It remains to be seen, however, whether expanded regional diplomatic and economic cooperation will be matched in the military sphere. When questioned about what form regional military cooperation might take, the two defense ministries have tended to mention diplomatic, rather than military, initiatives.<sup>80</sup> Although the Biden-Moon joint statement mentioned the Taiwan

<sup>77</sup> South Korea Proposes USD271 Billion Defence Plan,” *Janes.com*, September 3, 2021. Accessed at <https://www.janes.com/defence-news/news-detail/south-korea-proposes-usd271-billion-defence-plan>

<sup>78</sup> Doug Bandow, “Even With Seoul Paying More, America Can’t Afford to Defend South Korea,” *Foreign Policy*, April 21, 2021.

<sup>79</sup> Section 1264 of the FY2019 NDAA (P.L. 115-232) prohibited the use of funds to reduce USFK forces below 22,000 unless the Secretary of Defense first certifies to Congress that such a reduction is in the national security interest of the United States and will not significantly undermine the security of United States allies in the region.

Section 1254 of the FY2020 NDAA (P.L. 116-92) and Section 1258 of the FY2021 NDAA (P.L. 116-283) prohibited the use of funds to reduce U.S. forces deployed to South Korea below 28,500 until 90 days after the Secretary of Defense certifies to Congress (1) that such a reduction is in the U.S. national interest and will not significantly undermine the security the U.S. allies in the region and (2) that U.S. allies have been “appropriately consulted” on the proposed reduction.

Section 1252 of the FY22 NDAA (P.L. 117-81) states that the sense of Congress is that the Secretary of Defense should “recommit to and strengthen United States defense alliances and partnerships in the Indo-Pacific region so as to further the comparative advantage of the United States in strategic competition with the People’s Republic of China, including by ... reinforcing the United States alliance with the Republic of Korea and maintaining the presence of approximately 28,500 members of the United States Armed Forces deployed to the country....”

<sup>80</sup> The joint communique issued at the conclusion of the December 2021 U.S.-ROK Security Consultative Meeting

Strait and the South China Sea as areas of concern, it did not directly mention China. This is in contrast to how Japan has framed its stance toward China in joint statements with the United States.<sup>81</sup> While firmly reiterating the importance of the alliance, South Korean leaders have been reluctant to join U.S.-led security initiatives in the region, particularly as U.S.-China relations have worsened.<sup>82</sup> Coordinating arms sales to U.S. allies and partners may be one area of cooperation, as perhaps indicated by the South Korean conglomerate Hanhwa's December 2021 agreement to provide nearly \$1 billion in self-propelled artillery equipment and other material to Australia.

A bilateral understanding between Washington and Seoul gives U.S. forces the “strategic flexibility” to respond to contingencies outside the peninsula, on the condition that U.S. officials consult with ROK authorities. During his confirmation hearing, new USFK Commander Paul LaCamera advocated for utilizing USFK capabilities in a range of Indo-Pacific contingencies.<sup>83</sup> If U.S. troops stationed in South Korea more regularly rotated to areas such as the South China Sea, there could be significant repercussions—for command structure and mission definition, among others—for the Combined Forces Command (CFC, a binational command), which has in the past been almost solely focused on the DPRK.

If the USFK expands its activities beyond those aimed at deterring and defeating the DPRK, the alliance partners may need to adjust significantly the way that they train and engage with each other. Some strategists point to potential deficiencies in command and control integration, as well as changes to the balance of power on the Peninsula if ROK and U.S. forces engage elsewhere in the region.<sup>84</sup> However, analysts remain cautious about predicting any major shifts in combined force posture in the near future. For one, the ROK military remains primarily focused on North Korea's growing capabilities. Further, Seoul may be wary of signing on to expanded cooperation with the United States because of a perception that U.S. strategy and priorities can shift after presidential elections.<sup>85</sup> Some U.S. analysts disagree with using the U.S.-ROK alliance to try to

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(SCM) Joint Communique says, “the Minister and the Secretary pledged to continue promoting defense and security cooperation in the Indo-Pacific region and the world where mutual interests align, in order to better respond to regional and global security challenges.” The rest of this article in the document primarily discusses cooperation in the diplomatic arena, such as seeking cooperation between the United States' Indo-Pacific strategy and South Korea's New Southern Policy, which is fundamentally an economic and diplomatic initiative. (See “South Korea's New Southern Policy” below.) Department of Defense, “53<sup>rd</sup> Security Consultative Meeting Joint Communique,” December 2, 2021.

Following the SCM, when a reporter asked ROK Defense Minister Suh Wook “how does the Republic of Korea see itself stepping into the larger regional role that these talks envision,” he replied, “...we have shared the view today through our meeting that we'll continue looking for a—continue looking for areas of mutual cooperation....However, in terms of actual specific means, specific measures in terms of these—this cooperation, these were not discussed in today's meeting.” Department of Defense, “Secretary of Defense Lloyd J. Austin III and South Korean Defense Minister Suh Wook Hold a Press Conference Following the 53<sup>rd</sup> U.S.-Republic of Korea Security Consultative Meeting in Seoul,” December 2, 2021.

<sup>81</sup> Bruce Klingner, “US-South Korea Summit Papers Over Policy Differences,” *The Daily Signal*, May 27, 2021.

<sup>82</sup> Tobias Harris, Abigail Bard, and Hanuel Lee, “The China Difference in the U.S.-South Korea Alliance,” Center for American Progress Report, December 14, 2021.

<sup>83</sup> U.S. Congress, Senate, Committee on Armed Services, Advance Policy Questions for General Paul LaCamera, USA Nominee to be Commander, United Nations Command, Commander, Republic of Korea-United States Combined Forces Command, and Commander, United States Forces Korea, 116<sup>th</sup> Congress, 2021, 8, [https://www.armed-services.senate.gov/imo/media/doc/GEN%20LaCamera%20APQs%2014%20May%202021%20\(FINAL\).pdf](https://www.armed-services.senate.gov/imo/media/doc/GEN%20LaCamera%20APQs%2014%20May%202021%20(FINAL).pdf).

<sup>84</sup> Sukjoon Yoon, “Remaking the South Korea-US Alliance,” *The Diplomat*, July 28, 2021.

<sup>85</sup> Chung Min Lee, “Is South Korea Going Global? New Possibilities Together with the Biden Administration,” *Korea Strategic Review*, Carnegie Endowment for International Peace, July 13, 2021.

deter the PRC, arguing that the alliance should retain its primary focus of maintaining peace on the Korean Peninsula by deterring North Korea.<sup>86</sup>

## Military Exercises

The U.S. and ROK militaries for years have conducted large-scale drills to test alliance interoperability, but the drills have been interrupted over the past few years for a range of reasons. At a summit with North Korean Leader Kim Jong-un in Singapore in June 2018, President Trump called for a cancellation of large-scale military exercises, declaring them “very expensive” and “provocative.”<sup>87</sup> With the resumption of smaller, less public exercises in 2019, U.S. military officials asserted that the alliance maintained readiness, but some analysts warned that any reduction in joint exercises could damage alliance cohesion.<sup>88</sup> The two governments’ concerns about the COVID-19 pandemic, as well as their desire to facilitate diplomacy with the DPRK, led them to postpone exercises planned for February 2020. The two sides conducted scaled-back computer simulation exercises in August 2021, which North Korea criticized as preparation for war. Prior to the exercises, over 70 ROK lawmakers called on Moon to postpone the exercises in light of the summer 2021 decision by North Korea to re-open some communication channels with the South.<sup>89</sup>

## South Korea’s Nuclear Armament Debate

Since 2013, North Korea’s nuclear weapon tests and multiple missile launches have rekindled a debate in South Korea about developing its own nuclear weapons capability, notwithstanding Seoul’s reliance on the U.S. nuclear deterrent.<sup>90</sup> President George H.W. Bush announced the removal of all U.S. tactical nuclear weapons abroad in 1991, some of which were based in South Korea. Some analysts have argued that North Korea’s advancing nuclear weapons and missile capabilities, including a possible second strike capability, may undermine the United States’ commitment to South Korea’s defense. To reassure South Korea, the United States reaffirmed the U.S. security guarantee, including extended deterrence under the United States’ so-called “nuclear umbrella.” An October 2016 joint “2+2” statement issued by U.S. and South Korean Foreign and Defense Ministers restated the U.S. position that “any use of nuclear weapons [by North Korea] will be met with an effective and overwhelming response.” At the 2+2 meeting, the two sides agreed to establish a new, Extended Deterrence Strategy and Consultation Group (EDSCG).<sup>91</sup> In 2018, the Trump and Moon administrations agreed to regularize the dialogue.

<sup>86</sup> Michael D. Swaine, Jessica L. Lee, and Rachel Esplin Odell, *Toward an Inclusive & Balanced Regional Order. A New U.S. Strategy in East Asia*, The Quincy Institute, Quincy Paper No. 5, January 2021, p. 46.

<sup>87</sup> “Trump says to stop ‘expensive’, ‘provocative’ South Korea war games,” *Reuters*, June 12, 2018.

<sup>88</sup> Bruce Bennett, “Preserving the ROK-U.S. Alliance by Sustaining Military Exercises,” *The RAND Blog Commentary*, November 30, 2021 and Abraham Denmark and Lindsey Ford, “America’s Military Exercises in Korea Aren’t a Game,” *Foreign Policy*, June 21, 2018.

<sup>89</sup> “US, South Korean militaries to train together this month despite warnings from Pyongyang,” *Stars and Stripes*, August 9, 2021.

<sup>90</sup> Anna Fifield, “As North Korea Flexes Its Muscles, Some in South Want Nukes, Too,” *Washington Post*, March 20, 2016. The Gerald Ford Administration discovered President Park Chung Hee’s clandestine nuclear weapons program in the 1970s, and the United States successfully pressured South Korea to shut it down. For more on this episode, see Donald Oberdorfer, *The Two Koreas*, Basic Books, pp. 69-73.

<sup>91</sup> State Department, “Joint Statement of the 2016 United States-Republic of Korea Foreign and Defense Ministers’ Meeting,” October 19, 2016, available at <http://www.state.gov/r/pa/prs/ps/2016/10/263340.htm>.

Debates about nuclearization have become more prominent in political circles in Seoul in recent years.<sup>92</sup> Following North Korea's September 2016 nuclear test, a group of National Assembly members from the then-ruling Saenuri Party called on the ROK government to consider developing nuclear weapons.<sup>93</sup> A presidential advisory group, the National Unification Advisory Council, in an October 2016 report recommended that South Korea consider a return of U.S. tactical nuclear weapons to South Korea, an idea that retains currency among some conservative South Korean thinkers.<sup>94</sup> Some ROK presidential primary candidates in 2021 reportedly argued for a nuclear sharing arrangement with the United States, or an independent nuclear weapons program.<sup>95</sup> In a 2021 Asan Institute poll, 69.3% of respondents indicated they favor "the development of nuclear weapons in South Korea," the highest level of support since the Asan Institute began asking this question in 2010. At the same time, the poll showed over 61% favored reintroducing U.S. tactical nuclear weapons and almost 96% of respondents favored continued maintenance of the U.S.-ROK alliance.<sup>96</sup>

Analysts point to the potentially negative consequences for South Korea if it were to develop its own nuclear weapons, including significant costs; reduced international standing in the campaign to denuclearize North Korea; the possible imposition of economic sanctions that would be triggered by leaving the global nonproliferation regime; and potentially encouraging Japan to develop nuclear weapons capability. For the United States, South Korea developing nuclear weapons could mean diminished U.S. influence in Asia, the unraveling of the U.S. alliance system, and the possibility of creating a destabilizing nuclear arms race in Asia.<sup>97</sup> Other analysts, however, argue that South Korea would be justified in possessing its own nuclear arsenal given the DPRK's increasing capabilities. They also contend a South Korean nuclear arsenal could mitigate domestic concerns about Washington's willingness to uphold its alliance commitments in the event of war with the North.<sup>98</sup>

## ROK's Missile Defense Program

South Korea began earnestly pursuing an indigenous ballistic missile defense (BMD) following North Korea's first nuclear test in 2006, and BMD has become an increasingly important component of the country's defense capabilities since then. Missile defense is among the capabilities prioritized in Moon's "Defense Reform 2.0" modernization plan.<sup>99</sup> The United States

<sup>92</sup> Choi Kang, "South Korea Must Secure Korean Version of MAD (Mutually Assured Destruction)," *Chosun Ilbo*, April 24, 2021; Aidan Foster-Carter, "South Korea-North Korea Relations: A Toxic Nuclear Tocsin," Comparative Connections CSIS Pacific Forum, September 2016.

<sup>93</sup> "Calls Grow for South Korea to Consider Deploying Nuclear Weapons," *DW*, September 9, 2013.

<sup>94</sup> Kang Seung-woo, "Park Asked to Consider US Nukes: Presidential Panel Supports Presence of Tactical Weapons," *Korea Times*, October 13, 2016; *The Troubled ROK-U.S. Alliance*, The Asan Institute for Policy Studies Issue Brief, January 21, 2022.

<sup>95</sup> Morten Soendergaard Larsen, "Talk of a Nuclear Deterrent in South Korea," *Foreign Policy*, September 9, 2021; William Kim, "Nuclear Weapons in South Korea? Not So Fringe Anymore," *The National Interest*, August 21, 2021.

<sup>96</sup> J. James Kim, Kang Chungku, Ham Geon Hee, "Asan Report: Fundamentals of South Korean Public Opinion on Foreign Policy and National Security," The Asan Institute for Policy Studies, September 2021.

<sup>97</sup> See, for example, Robert Manning, "Trump's 'Sopranos' Worldview Would Undo Asian Alliances," *New Atlanticist* blog post, March 29, 2016; and Troy Stangarone, "Going Nuclear Wouldn't Be Easy for South Korea," *The National Interest*, February 29, 2016.

<sup>98</sup> Jennifer Lind and Darryl G. Press, "Should South Korea build its own nuclear bomb?" *Washington Post*, October 7, 2021.

<sup>99</sup> Jeff Jeong, "South Korea Moves to Kick its Missile Defense Shield up a Notch," *Defense News*, August 14, 2019; South Korean Ministry of National Defense, "[Ministry of National Defense] 2022-2026 mid-term defense plan,"

has long urged South Korea to integrate its missile defense system into the wider U.S. BMD architecture in the region, arguing it would strengthen South Korean and regional BMD capabilities overall. Seoul has consistently declined to do so in favor of operating its own system.

Analysts attribute South Korea's insistence on separate systems to its desire to preserve strategic autonomy, skepticism of deepening cooperation with its historical rival Japan, wariness of angering China, and desire to boost its domestic defense industry.<sup>100</sup> In July 2016, after years of consideration and controversy, South Korea agreed to a U.S. request to deploy a Terminal High-Altitude Area Defense (THAAD) missile defense system in South Korea to help defend against North Korea's improving missiles. Seoul's decision triggered a harsh diplomatic and economic response from China. The Sino-ROK dispute was ameliorated in late 2017 in part due to the Moon government's public pledge not to integrate into a U.S. regional BMD system. (See "South Korea-China Relations" below.)

South Korea's BMD system, the Korea Air and Missile Defense (or KAMD) system, has been upgraded with both domestic and foreign components since the program launched in 2006. Initially featuring secondhand Patriot Advanced Capability (PAC)-2 batteries from Germany and Israeli Super Green Pine radars, KAMD now incorporates PAC-3 systems that double the range of the PAC-2s.<sup>101</sup> The ROK Navy is building BMD-capable Aegis destroyers set to enter service beginning in 2024 (the United States stations BMD-capable Aegis ships in South Korea; the ROK Navy's current Aegis destroyers are not BMD-capable).<sup>102</sup> KAMD also features indigenously developed medium-range surface-to-air missiles and long-range surface-to-air missiles.<sup>103</sup>

### The Relocation of U.S. Forces Korea (USFK)

The United States continues to execute its planned realignment of all U.S. forces from bases near the demilitarized zone (DMZ) border with North Korea to bases farther south. The realignment plan reflects the shift toward a supporting role for USFK and a desire to resolve the issues arising from the location of the large U.S. Yongsan base in downtown Seoul. In line with the 2002 Land Partnership Plan and the 2004 Yongsan Relocation Plan, several U.S. units from Yongsan and associated troops and facilities have relocated, most to Camp Humphreys, located near the city of Pyeongtaek some 40 miles south of Seoul. Camp Humphreys is the largest U.S. overseas base. The original cost estimate was over \$10 billion; South Korea was to contribute \$4 billion of this. Estimates in 2010 placed the overall costs at over \$13 billion. In congressional testimony in April 2016, a U.S. official stated that South Korea is funding 91% of the total \$10.7 billion cost of USFK relocations.<sup>104</sup>

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September 15, 2021.

<sup>100</sup> CRS Report R41481, *U.S.-South Korea Relations*, coordinated by Mark E. Manyin; Kevin Fashola, "Five Types of International Cooperation on Missile Defense," Center for Strategic and International Studies, December 9, 2020; and Joshua H. Pollack, "Ballistic Missile Defense in South Korea: Separate Systems Against a Common Threat," in *Missile Defense, Extended Deterrence, and Nonproliferation in the 21<sup>st</sup> Century – Collected Papers*, Center for International & Security Studies at Maryland, Fall 2016.

<sup>101</sup> Gabriel Dominguez, "Deliveries of PAC-3 Air-Defence Systems to RoKAF Completed," *Janes*, December 14, 2020.

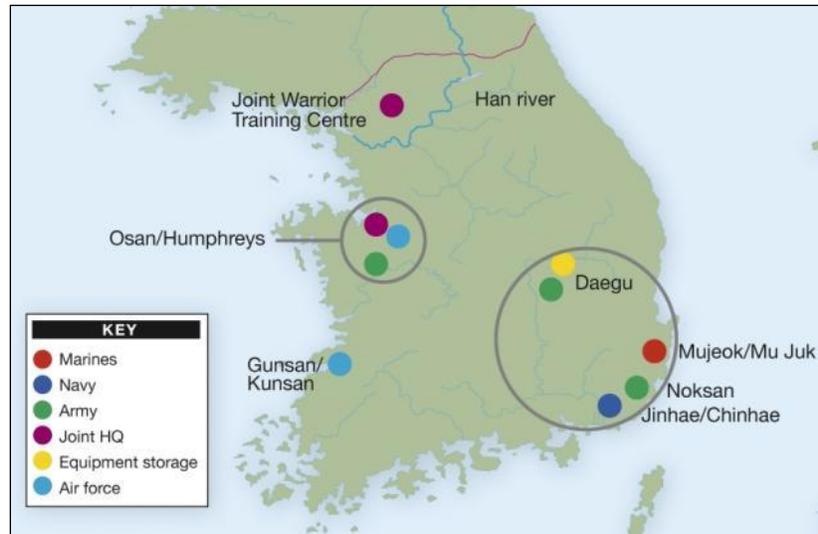
<sup>102</sup> Xavier Vavasseur, "South Korea's HHI Lays Keel of New KDX III Batch II Destroyer for ROK Navy," *Naval News*, October 21, 2021.

<sup>103</sup> Arms Control Association, "U.S. and Allied Ballistic Missile Defenses in the Asia-Pacific Region," January 2019.

<sup>104</sup> Written testimony of General Vincent K. Brooks. U.S. Congress, Senate Committee on Armed Services, *Hearing on the Nomination of General Brooks*, 114<sup>th</sup> Cong., 2<sup>nd</sup> sess., April 19, 2016.

As of July 2021, according to press reports, USFK has returned 68 of the 80 bases designated for returns to South Korea.<sup>105</sup> In July, the two governments agreed to accelerate the process, with a pledge to officially return about one-quarter of the large Yongsan Garrison by early 2022.<sup>106</sup> Although the USFK headquarters have moved to Camp Humphreys, the Combined Forces Command (CFC, a binational command), remains at Yongsan. Outstanding issues include environmental contamination cleanup, which could result in further delays in the return of additional land.

**Figure 4. USFK Bases After Realignment Plan Is Implemented**



**Source:** *Jane's Sentinel Security Assessment—China and Northeast Asia*, date posted April 15, 2010.

## Cost Sharing

Since 1991, South Korea has provided financial support through a series of Special Measures Agreements (SMAs) to offset the cost of stationing U.S. forces in Korea. These negotiations on cost-sharing arrangements generally occur every five years. While these talks are often contentious, they became particularly divisive during the Trump Administration because of the United States' requests for steep increases in South Korean contributions. Press reports indicated that the Trump Administration asked South Korea to increase its contribution by roughly 400%.<sup>107</sup> After signing a one-year stop-gap measure in February 2019 that raised South Korea's previous annual contribution by approximately 8%, the pact expired in December 2019, leading to the furlough of about 4,500 Koreans who worked on U.S. bases.<sup>108</sup> Weeks after coming into office, the Biden Administration concluded a new five-year agreement in March 2021, removing an irritant to the relationship. Under the agreement, South Korea will pay about \$1 billion annually, representing an increase of about 13.9% over previous SMAs.<sup>109</sup>

<sup>105</sup> "US to return a quarter of Yongsan Garrison to S. Korea by early next year," *Hankyoreh News*, July 30, 2021.

<sup>106</sup> "US speeds up return of Yongsan Garrison site," *Korea Times*, July 29, 2021.

<sup>107</sup> "Trump hikes price tag for US forces in Korea almost 400% as Seoul questions alliance," *CNN News*, November 15, 2019.

<sup>108</sup> "Thousands go on unpaid leave as US, South Korea fail to agree on military costs," *Reuters News*, March 31, 2020.

<sup>109</sup> "South Korea to Pay U.S. More Under New Troop Cost-Sharing Agreement," *Wall Street Journal*, March 10, 2021.

In the past, South Korea generally paid for 40-50% (over \$800 million annually) of the total non-personnel costs of maintaining the U.S. troop presence in South Korea.<sup>110</sup> ROK payments—a combination of in-kind and cash contributions—fall into three categories: labor (salaries for the Koreans who work on U.S. bases); logistics; and construction (by ROK firms for U.S. facilities). South Korean officials also point to Seoul’s contributions to the alliance beyond the SMA agreement as evidence of their investment in the relationship and mutual defense.

Military expenditures account for 2.8% of South Korea’s GDP, one of the largest percentages among all U.S. allies.<sup>111</sup> The ROK government is paying \$9.7 billion, or about 90% of the total cost of constructing Camp Humphreys, and is a top buyer of U.S. defense systems.

## OPCON Transfer

An agreement made in 2007 to transfer wartime operational control to the South Korean military remains unimplemented. Under the existing arrangement, in the event of war, South Korean and U.S. soldiers would be under U.S. command, led by the commander of the binational Combined Forces Command (CFC), a U.S. four-star general who concurrently serves as USFK commander.<sup>112</sup> If wartime OPCON is transferred, a South Korean commander would become CFC head, answering to both U.S. and ROK civilian authorities; neither side will relinquish command authority over their own troops.<sup>113</sup> The plan to transfer OPCON, which has generated controversy among foreign policy thinkers in South Korea, recognizes the ROK’s advances in economic and military strength since the Korean War, and is viewed by many Koreans as important for ROK sovereignty.<sup>114</sup>

Like past ROK progressive leaders, President Moon has prioritized OPCON and moved to accelerate the process. 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.<sup>115</sup> Significant progress has been made on some of these areas, but it appears unlikely that the process will be completed by the conclusion of Moon’s term.

The 2007 agreement to transition OPCON has been delayed twice, both times under conservative South Korean presidents. In 2010, the OPCON transfer was postponed to 2015 after a series of provocations from North Korea and amid concerns about whether South Korean forces were

<sup>110</sup> Written testimony of General Vincent K. Brooks. U.S. Congress, Senate Committee on Armed Services, *Hearing on the Nomination of General Brooks*, 114<sup>th</sup> Cong., 2<sup>nd</sup> session, April 19, 2016.

<sup>111</sup> Stockholm International Peace Research Institute Fact Sheet, “Trends in World Military Expenditure,” April 2021.

<sup>112</sup> In peacetime, the ROK military is responsible for South Korea’s national security. In December 2021, presidential candidate Lee Jae-myung reportedly said of the current arrangement, “It is very unusual and hard to witness any case in the world where an independent country leaves the power of military operations to another country. That is a core part of sovereignty, and it is already beyond common sense that the power was given to others in the first place.” Ko Jun-tae, “Lee Jae-myung against Beijing Olympics Boycott, Opposes THAAD Missiles,” *The Korea Herald*, December 30, 2021.

<sup>113</sup> Jina Kim, “Military Considerations for OPCON Transfer on the Korean Peninsula,” Council on Foreign Relations *Asia Unbound* blog, March 20, 2020.

<sup>114</sup> For an example of objections to OPCON’s transfer, see *The Troubled ROK-U.S. Alliance*, The Asan Institute for Policy Studies Issue Brief, January 21, 2022.

<sup>115</sup> See then-USFK Commander General Curtis Scaparrotti’s testimony at U.S. Congress, House Committee on Armed Services, *Hearing on the Risk of Losing Military Technology Superiority and its Implications for U.S. Policy, Strategy, and Posture in the Asia-Pacific*, 114<sup>th</sup> Cong., 1<sup>st</sup> sess., April 15, 2015.

adequately prepared to assume responsibility. As the new deadline of 2015 grew closer, concerns again emerged about the timing. Reportedly, South Korean officials worried that their military was not fully prepared to cope with North Korean threats and that Pyongyang might interpret the OPCON transfer as a weakening of the alliance's deterrence.<sup>116</sup> Some South Korean military experts expressed concern that turning over control would lead to the United States reducing its overall commitment to South Korean security.<sup>117</sup> In October 2014, the United States and South Korea announced in a joint statement that the allies would take a “conditions-based approach” to the OPCON transfer and determine the appropriate timing based on South Korean military capabilities and the security environment on the Korean Peninsula.<sup>118</sup>

## South Korean Defense Industry and Purchases of U.S. Weapon Systems

Under Moon, South Korea has increased its defense budget significantly. In December 2021, South Korea's National Assembly approved a FY2022 defense budget of \$46.32 billion. This represented a 3.4% increase from the FY2021 budget, although it was 1% less than the Moon Administration's request.<sup>119</sup> This follows a 7.6% increase in FY2017 and an 8.2% increase in FY2018, the highest among OECD member countries.

South Korea is a major recipient of U.S. Foreign Military Sales (FMS). From FY2017 to FY2020, South Korean FMS contracts with the United States totaled \$5.95 billion, making it the tenth-largest recipient during those years.<sup>120</sup> Although European and Israeli defense companies also compete for contracts, from 2008 to 2016, approximately 75% of South Korea's total foreign defense purchases were FMS and commercial sales from U.S. companies.<sup>121</sup> Among the U.S. systems that South Korea is acquiring or has recently acquired are Lockheed Martin F-35 Joint Strike Fighters, Boeing's P-8 Poseidon aircraft, and Northrup Grumman's RQ-4 “Global Hawk” unmanned aerial vehicles.

South Korea has a mature defense industry, advanced in the past decade through industrial collaboration, defense offsets, and targeted efforts to acquire sophisticated technologies and expertise.<sup>122</sup> Korea's Defense Reform 2.0 emphasizes increased self-reliance through the development of indigenous capabilities by increasing the percentage of funds allocated to defense research and development (R&D) and maturing the country's defense sector, including by increasing exports.<sup>123</sup> South Korea was the world's ninth-largest arms exporter from 2016 to

<sup>116</sup> Song Sang-ho, “Allies Rack Brains over OPCON Transfer,” *Korea Herald*, May 6, 2014.

<sup>117</sup> Lee Chi-dong and Roh Hyo-dong, “OPCON Transfer May Usher in Withdrawal of U.S. Troops from Korea: Ex-General,” *Yonhap News Agency*, November 18, 2013.

<sup>118</sup> “Joint Communiqué of the 46<sup>th</sup> ROK-U.S. Security Consultative Meeting,” U.S. Department of Defense, Washington, DC, October 23, 2014.

<sup>119</sup> Jon Grevatt and Andrew MacDonald, “South Korea Finalises USD46.32 Billion Defence Budget for 2022,” *Janes*, December 3, 2021.

<sup>120</sup> U.S. Department of Defense Security Cooperation Agency, “Historical Sales Book, Fiscal Years 1950-2020.”

<sup>121</sup> CRS Correspondence with South Korean official, March 15, 2017.

<sup>122</sup> *Janes*, “Korea, South – Defence Production and R&D,” April 22, 2021.

<sup>123</sup> The reform program prioritizes “intensive investments” in R&D for eight “core defense strategic technologies”: “autonomous/artificial intelligence-based surveillance and reconnaissance, hyper-connected/intelligent command and control, ultra-high-speed/high-power precision strike, futuristic propulsion and stealth-based platform, combined manned and unmanned combat, advanced technology-based personal combat system, active cyber response and future protection, [and] futuristic advanced new technology.” Lee Young-bin, “The 2022-2026 Mid-term Defense Plan for Successful Accomplishment of Defense Reform 2.0 and Building a Digitalized Strong Military,” Korea Institute for Defense Analyses *ROK Angle, Issue 240*, September 24, 2021, p. 3. See also Frank Smith, “South Korea Muscles in on Global Arms Trade,” *Al Jazeera*, April 20, 2021.

2020.<sup>124</sup> South Korean firms compete internationally in the armored vehicle, shipbuilding, and aerospace industries.<sup>125</sup> For example, Lockheed Martin and Korea Aerospace Industries jointly developed the T-50 Golden Eagle, a trainer and light fighter aircraft that has been successful on the international market and will likely compete for the U.S. Air Force's next trainer aircraft contract. Defense News's "Top 100" defense companies ranking for 2021 featured four South Korean defense companies.<sup>126</sup> South Korea aims to further improve the competitiveness of its defense industry, which continues to face challenges like program delays, insufficient transparency, and gaps in certain industrial capabilities.<sup>127</sup>

Southeast Asia is a major market for South Korean defense equipment. Recent South Korean arms sales in the region include FA-50 light aircraft sold to the Philippines, three diesel electric attack submarines sold to Indonesia, a frigate sold to Thailand, and six missile surface corvettes sold to Malaysia.<sup>128</sup>

The 110<sup>th</sup> Congress passed legislation that upgraded South Korea's status as an arms purchaser from a "Major Non-NATO Ally" to the "NATO Plus Three" category (P.L. 110-429), which has subsequently become "NATO Plus Five." This upgrade increases the threshold for the requirement that the U.S. executive branch notify Congress of pending arms sales to South Korea, from \$14 million to \$25 million. Congress has 15 days to consider the sale and take legislative steps to block the sale compared to 30 days for Major Non-NATO Allies.

### ROK's Aspirations for Nuclear-Powered Submarines

For years, South Korean officials—including President Moon and 2022 presidential candidate Lee Jae-myung—have voiced an interest in acquiring or developing nuclear-powered submarines.<sup>129</sup> The United States has objected to this, citing proliferation concerns. This ambition was raised again after the surprise September 2021 announcement that the United States would help Australia develop a nuclear-powered submarine capability in cooperation with the United Kingdom through the new partnership known as AUKUS (Australia-UK-United States). The U.S. willingness to share this sensitive technology led some commentators to argue that South Korea, as another key ally in the region, should also acquire nuclear-powered attack submarines (SSNs) given the DPRK's growing capabilities.<sup>130</sup> To achieve this, South Korea would need to either develop nuclear naval propulsion technology indigenously or seek agreement with foreign suppliers. Such cooperation with the United States would require a new nuclear cooperation

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<sup>124</sup> Pieter D. Wezeman et al., "Trends in International Arms Transfers, 2020," Stockholm International Peace Research Institute, March 2021, p. 7.

<sup>125</sup> Simon Mundy, "South Korea Aims to Become Defence Powerhouse," *Financial Times*, November 6, 2013.

<sup>126</sup> Hanwha was ranked 28<sup>th</sup>, Korea Aerospace Industries was ranked 57<sup>th</sup>, LIG Nex1 was ranked 68<sup>th</sup>, and Hyundai Rotem Company was ranked 93<sup>rd</sup>. The "Defense 100" rankings are by defense revenues from the previous year. Defense News, "Top 100 for 2021," <https://people.defensenews.com/top-100/>.

<sup>127</sup> Janes, "Korea, South – Defence Production and R&D," April 22, 2021.

<sup>128</sup> Siemon T. Wezeman, "Arms Flows to South East Asia," Stockholm International Peace Research Institute, December 2019, pp. 11, 14.

<sup>129</sup> In December 2021, Lee reportedly said, "I will push forward with building a nuclear-propelled submarine that is capable of long-term underwater ambush, surveillance and reconnaissance to prepare for North Korea's nuclear weapons threat. ... Australia was acknowledged as an exception by the U.S. and is building a nuclear-powered submarine. I think we can create [similar] conditions through a thorough consultation between the U.S. and ROK." Jeongmin Kim, "Lee Jae-myung Pledges to Push for Nuclear Submarine against North Korean Threats," *NKNews*, December 24, 2021.

<sup>130</sup> Jihoon Yu and Erik French, "The US Should Support South Korea's Nuclear Submarine Aspirations," *The Diplomat*, September 20, 2021.

agreement, which would be subject to congressional review.<sup>131</sup> In 2021, South Korea announced plans to build a type of small modular nuclear reactor, which could potentially be used to power a submarine.<sup>132</sup>

## Bilateral Economic Relations

South Korea and the United States are major economic partners. Congressional interest in the bilateral trade and economic relationship stems from Congress' constitutional authority to regulate foreign commerce, as well as its interest in how U.S. and South Korean trade and investment policies may affect U.S. constituents including consumers, workers, farmers, and business owners. In order to support bilateral economic relations, in 2011 Congress passed legislation to implement the KORUS FTA (P.L. 112-41), which has governed bilateral trade and investment activities since 2012. As Congress conducts its oversight of the Administration, key concerns may include enforcement and continued implementation of KORUS FTA commitments, effects of continued U.S. unilateral import restrictions on U.S. constituents and bilateral economic relations, and priorities for potential new trade negotiations under the Administration's Indo-Pacific Economic Framework initiative.

In 2020, two-way goods and services trade between the two countries totaled \$155.7 billion, making South Korea the United States' seventh-largest trading partner, accounting for 3% of total U.S. trade.<sup>133</sup> For some western states and U.S. sectors, the South Korean market is even more important. South Korea is far more dependent economically on the United States than the United States is on South Korea. In terms of goods trade, in 2020, the United States was South Korea's second-largest trading partner (after China), export market, and source of imports.<sup>134</sup> As of 2019 (latest available), the United States was South Korea's second-largest supplier of inward foreign direct investment (FDI) and largest destination of outward FDI.<sup>135</sup>

The United States ran a goods trade deficit with South Korea in 2020 of \$25.3 billion, the difference of \$51.4 billion in exports and \$76.8 billion in imports, and a services trade surplus of \$8.1 billion, the difference of \$17.8 billion in exports and \$9.7 billion in imports (**Table 1**).<sup>136</sup> The bilateral investment relationship has expanded in recent years due to considerable growth in South Korean FDI in the United States, which reached \$63.7 billion in 2020, more than triple its level in 2011, before the KORUS FTA took effect. U.S. investment in South Korea, by contrast, has declined somewhat to \$33.9 billion in 2020 from a peak of \$40.2 billion in 2017. In 2019 (latest available), foreign affiliates of U.S. multinational enterprises (MNEs) operating in South Korea had 115,400 employees, while U.S. affiliates of South Korean MNEs had 94,500 employees.

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<sup>131</sup> See CRS In Focus IF11999, *AUKUS Nuclear Cooperation*, by Paul K. Kerr and Mary Beth D. Nikitin

<sup>132</sup> "South Korea Has Long Wanted Nuclear Subs. A New Reactor Could Open a Door," *New York Times*, December 13, 2021.

<sup>133</sup> U.S. trade and investment data from the Bureau of Economic Analysis (BEA), *International Trade and Investment Country Facts: South Korea*, accessed November 29, 2021.

<sup>134</sup> Korea Trade Statistics Promotion Institute via Trade Data Monitor, accessed November 29, 2021.

<sup>135</sup> OECD, "FDI Statistics by Partner Country and by Industry," *International Direct Investment* database, updated May 19, 2021, accessed November 29, 2021.

<sup>136</sup> U.S. trade and investment data, including activities of multinational enterprises, from the Bureau of Economic Analysis (BEA), *International Trade and Investment Country Facts: South Korea*, accessed November 29, 2021.

**Table I. Annual U.S.-South Korea Trade,  
2011-2020**

(billions of U.S. dollars)

Year	U.S. Exports			U.S. Imports			Trade Balance		
	Goods	Services	Total	Goods	Services	Total	Goods	Services	Total
2011	45.2	17.9	63.1	57.6	9.9	67.5	-12.4	8.0	-4.3
2012*	44.2	20.0	64.1	59.6	10.2	69.8	-15.4	9.8	-5.6
2013	43.5	22.3	65.8	63.0	10.1	73.0	-19.4	12.2	-7.2
2014	46.4	21.4	67.8	70.7	9.8	80.5	-24.3	11.6	-12.7
2015	44.5	21.8	66.2	72.4	10.1	82.5	-28.0	11.7	-16.3
2016	42.9	22.5	65.4	70.4	9.3	79.6	-27.5	13.2	-14.3
2017	49.2	24.4	73.6	71.8	8.3	80.2	-22.6	16.1	-6.5
2018	57.4	23.4	80.7	75.1	10.3	85.3	-17.7	13.1	-4.6
2019	57.4	23.5	80.9	78.3	11.0	89.2	-20.8	12.5	-8.3
2020	51.4	17.8	69.2	76.8	9.7	86.4	-25.3	8.1	-17.2
<b>Major U.S. Exports</b>	<b>Goods:</b> Semiconductors and semiconductor manufacturing equipment; oil and gas; chemicals; motor vehicles and parts; beef and pork; medical equipment; pharmaceuticals; aircraft and parts; corn, soybeans, and wheat.					<b>Services:</b> South Korean educational, personal, and business travel to the United States; charges for the use of intellectual property; financial and other business services; transport services.			
<b>Major U.S. Imports</b>	<b>Goods:</b> Motor vehicles and parts; semiconductors and other electronic components; batteries; refined petroleum products; major household appliances; cell phones; tires.					<b>Services:</b> Transport services; financial and other business services.			

**Source:** U.S. Census Bureau and Bureau of Economic Analysis (BEA), International Transactions Tables, accessed November 29, 2021.

**Notes:** Trade data reported on a balance of payments basis.

(\*) The KORUS FTA went into effect on March 15, 2012.

The United States' economic importance to South Korea has declined relative to China, which displaced the United States as South Korea's top trading partner in 2003. By 2020, China's share of South Korea's trade was roughly double the U.S. share (25% vs. 13%, respectively).<sup>137</sup> China also hosts manufacturing facilities for many South Korean multinational firms and the two countries trade heavily in intermediate goods, highlighting supply chain linkages. In 2018 (latest available), China was the destination for 42% of South Korea's intermediate goods exports, compared to 8% exported to the United States, the second-largest destination.<sup>138</sup> South Korean firms also rely on Chinese origin inputs in their supply chains. The Organisation for Economic Co-operation and Development (OECD) estimates that Chinese origin value-added content in South Korean exports doubled from 2005 to 2018, to 5.3%, the largest share of any country—the comparable share originating in the United States was 3.6% in 2018.<sup>139</sup> Intensifying U.S.-China

<sup>137</sup> Korea Trade Statistics Promotion Institute via Trade Data Monitor, accessed November 29, 2021.

<sup>138</sup> OECD, *Trade in Value Added (TiVA)* database, accessed November 29, 2021.

<sup>139</sup> Ibid.

strategic and economic competition and U.S. trade restrictions affecting China (e.g., unilateral tariffs, export controls), therefore, may have important implications for South Korea's economy.

South Korea's export-driven economy and competition with domestic U.S. producers in certain products has led to trade friction with the United States of varying intensity over the years. For example, imports of certain South Korean products, mostly steel or stainless steel items, as well as polyester, chemicals, and washing machines, have been the subject of U.S. antidumping and countervailing duty (AD/CVD) investigations.<sup>140</sup> As of November 2021, antidumping duties were being collected on 33 South Korean imports (a 50% increase from 2017), and countervailing duties were being assessed on seven South Korean products, making South Korea subject to the third largest set of such trade remedies among U.S. trade partners, behind China and India.<sup>141</sup> The Biden Administration has maintained and, in one case, extended additional Trump-era trade restrictions, including tariffs and quotas, that affected South Korean products (see "U.S. Section 201 and 232 Import Restrictions Affecting South Korea").

### Ten Years of the KORUS FTA (2012-2022)

For nearly ten years, the KORUS FTA has been the centerpiece of U.S.-South Korean trade and economic relations.<sup>142</sup> The agreement, which entered into force in March 2012, has reduced and eliminated tariff and non-tariff barriers between the two parties on manufactured goods, agricultural products, and services. The agreement also provides rules and disciplines on investment, intellectual property rights (IPR) and other issues; commits both countries to maintain certain worker and environmental standards; and provides enforceable mechanisms for resolving disputes. The second largest U.S. FTA by trade flows after the U.S.-Mexico-Canada Agreement (USMCA), the KORUS FTA arguably has some of the most extensive commitments of any U.S. FTA in effect.

Upon implementation, roughly 80% of tariff lines were duty free in U.S.-South Korean trade, whereas prior to the KORUS FTA, 38% of U.S. tariff lines and 13% of South Korean tariff lines were duty free. Remaining tariffs in bilateral trade have been largely phased out (roughly 99% of all tariff lines) through annual implementation of scheduled tariff cuts. The 10<sup>th</sup> round of these annual tariff cuts took effect in January 2021. The agreement's services trade commitments, which are on a "negative list" basis (i.e., they apply to all sectors except those specifically exempted), have also expanded U.S. firms' access to South Korea's services sector. For example, in 2017 the third stage of South Korea's market opening to legal services became effective, allowing U.S. firms to enter into joint ventures in South Korea.

The KORUS FTA has been modified twice since it was originally negotiated. The agreement was initiated in 2006 and signed in 2007 under the George W. Bush and Roh Moo-hyun administrations. Implementing legislation, however, was not submitted to and passed by Congress until 2011. This followed negotiations and an exchange of letters by the Obama and Lee Myung-bak administrations that modified the agreement's commitments on auto and agricultural trade.<sup>143</sup>

<sup>140</sup> For more on antidumping and countervailing duties, see CRS In Focus IF10018, *Trade Remedies: Antidumping and Countervailing Duties*, by Vivian C. Jones and Christopher A. Casey.

<sup>141</sup> USITC, "Antidumping and Countervailing Duty Orders in Place," November 26, 2021, at [http://www.usitc.gov/trade\\_remedy/documents/orders.xls](http://www.usitc.gov/trade_remedy/documents/orders.xls).

<sup>142</sup> For more on the KORUS FTA, see CRS Report RL34330, *The U.S.-South Korea Free Trade Agreement (KORUS FTA): Provisions and Implementation*, coordinated by Brock R. Williams, and CRS In Focus IF10733, *U.S.-South Korea (KORUS) FTA and Bilateral Trade Relations*, coordinated by Brock R. Williams.

<sup>143</sup> USTR, "Legal Texts Reflecting December 3, 2010 Agreement," updated January 1, 2019, at <https://go.usa.gov/>

In 2012, the 2007 agreement as modified by the 2011 exchange of letters took effect for both parties.

In 2018, the Trump and Moon Jae-in administrations negotiated additional modifications to the agreement, relating to, among other things, adjusting South Korean regulations affecting U.S. auto exports, delaying reduction of the 25% U.S. light truck tariff to 2041, and adding clarifying language to the investment provisions.<sup>144</sup> The amendments, which consisted primarily of South Korean regulatory changes and U.S. tariff modifications, took effect in 2019 without action by Congress. The KORUS FTA implementing legislation (P.L. 112-41) provides presidential proclamation authority to modify the U.S. FTA tariff schedule.

A number of U.S. export sectors may have benefitted from KORUS market openings. For example, U.S. beef exports have increased from \$686 million in 2011 to \$1.7 billion in 2020, as the South Korean beef tariff has fallen from 40% to 16% and will continue declining to zero by 2026.<sup>145</sup> U.S. motor vehicle and parts exports have nearly tripled from \$1.2 billion in 2011 to \$3.1 billion in 2020, such that the United States now exports more cars to South Korea than to Japan, a country with more than twice South Korea's population and a larger GDP/capita—though South Korea still represents a relatively small share (2.4%) of total U.S. auto exports.<sup>146</sup> South Korea's auto tariff was reduced from 8% to 4% upon KORUS's entry into force and eliminated in 2016. U.S. exports of services also increased significantly from \$17.9 billion in 2011 to \$23.4 billion in 2019, but declines in travel led to a decline in services exports in 2019 to \$17.8 billion. Attributing changes in trade and investment flows to the KORUS FTA, however, is difficult. Price changes due to tariff reductions are only one of a number of factors affecting trade. Fluctuations in other factors affecting demand in both countries such as consumer tastes, the business cycle and relative growth rates, and exchange rates may play a greater role in determining such outcomes.

Views on the KORUS FTA and its outcomes over its nearly ten-year existence are mixed. Proponents argue the FTA has expanded trade (including U.S. exports), investment, competition, and consumer choice in both countries, increased U.S. IPR protection in South Korea, and improved transparency in South Korea's regulatory process.<sup>147</sup> Some observers also believe the agreement has deepened the overall bilateral relationship and spurred South Korea's shift to more aggressive pursuit of regional trade liberalization initiatives.<sup>148</sup>

Others have argued that the agreement's impact is disappointing, pointing largely to an increase in the U.S. trade deficit with South Korea since the agreement took effect—the bilateral deficit on goods and services was \$4.3 billion in 2011 and \$17.2 billion in 2020.<sup>149</sup> During this time, the deficit has fluctuated, growing significantly early on and then declining more recently until it

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<sup>144</sup> USTR, "USTR Publishes Agreed Outcomes from U.S.-Korea FTA Amendment and Modifications Negotiations," September 3, 2018, at <https://go.usa.gov/xePx5>.

<sup>145</sup> Yong Ban and Neil Mikulski, *Livestock and Products Semi-Annual, South Korea*, USDA Foreign Agricultural Service, KS2021-0008, March 18, 2021.

<sup>146</sup> Data from The U.S. Bureau of Economic Analysis (BEA) country fact sheets: South Korea and Japan.

<sup>147</sup> For example, see Nicholas Montella, "Six Wins as the KORUS FTA Turns Six," U.S. Chamber of Commerce, March 15, 2018.

<sup>148</sup> Wendy Cutler and Seok-young Choi, "The Strategic Benefits of KORUS," CSIS, commentary, May 5, 2020, at <https://www.csis.org/analysis/strategic-benefits-korus>.

<sup>149</sup> For example, see Robert E. Scott, "U.S.-Korea Trade Deal Resulted in Growing Trade Deficits and More than 95,000 Lost U.S. Jobs," Economic Policy Institute, May 5, 2016.

roughly doubled in 2020 during the pandemic (**Table 1**). Much of the growth in the trade deficit stems from auto trade: U.S. goods imports from South Korea increased by \$19.2 billion from 2011 to 2020, with auto and parts imports accounting for \$9.0 billion of the increase. However, U.S. auto imports peaked in 2015, before the 2.5% U.S. car tariff was reduced under KORUS, leading many economists to disagree with the view that the FTA contributed to the increase in the deficit.<sup>150</sup> For example, using 2015 data, the USITC estimated that the U.S. bilateral deficit would have been even larger had the KORUS FTA not been in effect.<sup>151</sup> Economists generally find that macroeconomic factors, such as aggregate demand and supply, are the main drivers of bilateral trade balances, rather than trade agreements.<sup>152</sup>

Some business groups have raised concerns regarding South Korea's implementation of certain FTA commitments. The 2018 modifications, however, include several commitments that seek to address such issues. For example, South Korea agreed to new principles for conducting origin verifications on U.S. exports, a perennial concern of U.S. business groups, and amended a pricing policy on pharmaceuticals to align with KORUS commitments. In addition, the KORUS FTA includes several consultative mechanisms that allow for enhanced bilateral engagement on implementation issues. For example, Ambassador Tai in November 2021 highlighted progress in addressing U.S. concerns over South Korea's implementation of commitments on cross-border data flows for financial services.<sup>153</sup>

Many U.S. stakeholder groups viewed the Trump Administration's modifications to the KORUS FTA positively. For example, the U.S. auto industry praised the additional efforts to reduce non-tariff barriers in South Korea, such as the negotiated increase, from 25,000 to 50,000 per manufacturer, of annual U.S. auto exports allowed to enter South Korea based solely on U.S. safety certifications.<sup>154</sup> Proponents of trade liberalization, however, viewed some of the modifications negatively, such as the lengthy extension of U.S. light truck tariffs.<sup>155</sup> The USITC estimated that the modification in the truck tariffs is unlikely to have much effect on the U.S. market.<sup>156</sup>

Most trade policy observers disputed the Trump Administration's characterization of the amendments as a "basic redoing" of the agreement, arguing that they were relatively minor adjustments and unlikely to change the KORUS FTA's overall balance of concessions.<sup>157</sup> The amendments did not include specific commitments on currency, which some groups had sought. They also did not make any changes to the agreement's digital trade commitments, which were

<sup>150</sup> Kadee Russ, Deborah Swenson, and Kelly Stangl, "The Economics of the Korea-U.S. Free Trade Agreement," *EconoFact*, November 6, 2017, <https://econofact.org/the-economics-of-the-korea-u-s-free-trade-agreement>.

<sup>151</sup> USITC, *Economic Impact of Trade Agreements Implemented Under Trade Authorities Procedures*, June 2016, p. 139.

<sup>152</sup> For example, see Johannes Eugster et al., "Bilateral and Aggregate Trade Balances: Finding the Right Focus," *VoxEU*, September 10, 2019, <https://voxeu.org/article/bilateral-and-aggregate-trade-balances-finding-right-focus>.

<sup>153</sup> USTR, "Remarks of Ambassador Tai at the Start of the KORUS Joint Committee," November 19, 2021.

<sup>154</sup> Keith Laing, "Carmakers Laud U.S.-South Korea Trade Deal," *The Detroit News*, September 25, 2018.

<sup>155</sup> Tori Smith, *Analyzing the Renegotiated U.S.-Korea Free Trade Agreement*, The Heritage Foundation, April 18, 2018.

<sup>156</sup> The USITC estimated that without the changes South Korean producers would have likely sold 12,000-30,000 additional pickup trucks in the U.S. market annually, representing a small fraction of the roughly 3 million pickup trucks sold annually in the U.S. market. USITC, *Economic Impact of Trade Agreements Implemented under Trade Authorities Procedures, 2021 Report*, Publication Number: 5199, June 2021, pp. 119-122.

<sup>157</sup> See, for example, Simon Lester, Inu Manak, and Kyoungwa Kim, *Trump's First Trade Deal: The Slightly Revised Korea-U.S. Free Trade Agreement*, Cato Institute, Free Trade Bulletin No. 73, June 13, 2019 and Jeffrey J. Schott and Euijin Jung, *KORUS Amendments: Minor Adjustments Fixed What Trump Called "Horrible Deal"*, Peterson Institute for International Economics, Policy Brief 18-22, November 2018.

negotiated in the mid-2000s and, therefore, do not reflect more recent provisions the United States has sought on digital trade issues, such as those included in the USMCA.

### South Korea's FTA Strategy, RCEP, and CPTPP

South Korea is a major trading nation with trade accounting for a large share of its GDP (37.6% from 2018-2020, compared to 12.8% in the United States),<sup>158</sup> and has made the negotiation of comprehensive and high standard FTAs covering goods, services, investment, and rules a key focus of its trade policy. South Korea has entered into several trade agreements over the past two decades. As of July 2021, South Korea had 17 FTAs in effect, covering 57 countries, including more recently with the United Kingdom and five countries in Central America; it has concluded but not yet ratified negotiations on four additional agreements; and negotiations were ongoing on eight new or updated agreements, including with Mercosur, the South America trading bloc that includes Argentina, Brazil, Paraguay, and Uruguay. South Korea's trade agreements include several of its major trading partners, such as the United States, China, and the European Union.<sup>159</sup>

South Korea is also a member of the Regional Comprehensive Economic Partnership (RCEP) trade agreement, which it signed in November 2020.<sup>160</sup> RCEP, which entered into force for South Korea in February 2022, is of particular interest to policymakers given its broad membership of 15 East, Southeast Asian, and Australasian countries, including South Korea, China, Japan, Australia, New Zealand, and the ten members of the Association of Southeast Asian Nations (ASEAN). South Korea is not currently participating in the other major Asia-Pacific regional trade initiative, the 11-member Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). However, in December 2021, Moon's government publicly announced its intention to take the domestic procedural steps necessary to formally apply for CPTPP membership, preferably before Moon leaves office in May 2022.<sup>161</sup> CPTPP is the agreement that replaced the Trans-Pacific Partnership (TPP), following the Trump Administration's withdrawal of the United States signature from the proposed TPP in 2017.

Some stakeholders in the United States, including several Members of Congress, have urged the Biden Administration to reconsider potential U.S. participation in CPTPP, but U.S. officials have stated the Administration does not intend to pursue CPTPP membership at present.<sup>162</sup> Participation in CPTPP by both South Korea and the United States could serve as a potential vehicle to update elements of the KORUS FTA, such as on digital trade. Proponents of U.S. participation in CPTPP note with concern that China, which is a member of RCEP and has formally applied to join CPTPP, has taken a more active approach to regional trade agreement negotiations than the United States.<sup>163</sup> In contrast to RCEP, CPTPP includes several U.S.-priority commitments, such as labor and environmental protections, nearly comprehensive tariff elimination, and enforceable disciplines on state-owned enterprises (SOEs) and digital trade.

## U.S. Section 201 and 232 Import Restrictions Affecting South Korea

The Trump Administration imposed unilateral tariff increases and other import restrictions on several significant U.S. imports from South Korea, which remain in place to date under the Biden Administration.<sup>164</sup> In March 2018, President Trump announced tariffs of 25% and 10% on certain

<sup>158</sup> WTO, *Trade Profiles*, 2021, at [https://www.wto.org/english/res\\_e/statis\\_e/trade\\_profiles\\_list\\_e.htm](https://www.wto.org/english/res_e/statis_e/trade_profiles_list_e.htm). The WTO trade profiles calculate trade to GDP using the average of a country's exports and imports.

<sup>159</sup> WTO, *Trade Policy Review of South Korea: Report by South Korea*, September 28, 2021, p. 11.

<sup>160</sup> CRS In Focus IF11891, *Regional Comprehensive Economic Partnership (RCEP)*, coordinated by Cathleen D. Cimino-Isaacs.

<sup>161</sup> "Finance Minister: Gov't Seeking to Submit Application to Join CPTPP within Moon's Term," *KBS*, December 16, 2021.

<sup>162</sup> Senator Tom Carper and Senator John Cornyn, "The U.S. Needs to Learn from its TPP Mistake and Get Its Seat Back at the Table," *Washington Post*, June 13, 2021, opinion.

<sup>163</sup> CRS Insight IN11760, *China and Taiwan Both Seek to Join the CPTPP*, by Brock R. Williams and Michael D. Sutherland.

<sup>164</sup> For more information, see CRS Report R45529, *Trump Administration Tariff Actions: Frequently Asked Questions*, coordinated by Brock R. Williams.

U.S. steel and aluminum imports, respectively.<sup>165</sup> The tariffs were imposed under Section 232 of the Trade Expansion Act of 1962, on the premise that such imports threatened to impair U.S. national security, and drew criticism from South Korea, given its close security relationship with the United States. In 2017, prior to the implementation of the new trade restrictions, South Korea was the third-largest supplier of relevant U.S. steel imports (\$2.8 billion), but was not a major supplier of aluminum (\$112 million).

South Korea, which was negotiating modifications to the KORUS FTA at the time the tariffs were announced, decided to negotiate a quota arrangement with the Trump Administration, in lieu of the tariffs on steel. The resulting quota arrangement reached between the two sides limits South Korean steel exports to the United States to 70% of their average annual quantity during 2015-2017.<sup>166</sup> More recently, the Biden Administration has negotiated quota arrangements with the European Union and Japan in exchange for lifting the Section 232 steel tariffs on these trade partners.<sup>167</sup> The EU and Japan arrangements are less restrictive in some respects, than the quota arrangement with South Korea. For example, these arrangements are in the form of tariff-rate quotas, whereby imports above the quota allotments are allowed but face a higher tariff. The quota arrangement with South Korea, by contrast, does not allow for imports above the quota level. During a visit to Washington, DC in January 2022, South Korea's trade minister suggested the Moon administration was seeking a renegotiation of its steel-quota arrangement.<sup>168</sup>

South Korea did not negotiate a quota deal on aluminum and remains subject to the 10% aluminum tariffs. In 2020, steel and aluminum imports from South Korea were worth \$1.5 billion and \$214 million, respectively.

South Korean exports of washing machines and solar panels are also subject to additional temporary U.S. tariffs.<sup>169</sup> President Trump imposed these safeguard tariffs in 2018, based on recommendations from the U.S. International Trade Commission (ITC), under Section 201 of the Trade Act of 1974, to address serious or threatened serious injury from such imports to domestic industries.<sup>170</sup> In 2017, prior to the tariffs, South Korea was the third-largest source of U.S. washing machine imports (\$303 million) and the second-largest source of U.S. solar panel imports (\$1.1 billion). In 2020, washing machine and solar panel imports from South Korea were worth \$198 million and \$1.0 billion, respectively.

South Korea notified the WTO of its right to retaliate in response to these safeguard measures.<sup>171</sup> In line with WTO commitments on safeguard actions, this retaliation was to begin in 2021, but it

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<sup>165</sup> For more information, see CRS Report R45249, *Section 232 Investigations: Overview and Issues for Congress*, coordinated by Rachel F. Fefer and Vivian C. Jones, and CRS In Focus IF10667, *Section 232 of the Trade Expansion Act of 1962*, by Rachel F. Fefer.

<sup>166</sup> Hyunjoo Jin and Joyce Lee, "U.S., South Korea Revise Trade Deal, Korean Steel Faces Quota," *Reuters*, March 25, 2018.

<sup>167</sup> USTR, "Tai, Raimondo Statements on 232 Tariff Agreement with Japan," February 7, 2022.

<sup>168</sup> Inside U.S. Trade, "Trade Minister: South Korea Wants More IPEF Details, Section 232 Talks," January 28, 2022.

<sup>169</sup> These import restrictions are in the form of tariff rate quotas (TRQs), whereby a limited volume of imports are subject to a lower in-quota tariff and imports above that threshold are subject to a higher above-quota tariff. Both above- and in-quota tariff rates decline annually. For further information, see Customs and Border Protections quota bulletins: <https://www.cbp.gov/trade/quota/bulletins/qb-21-507-2021-solar-cellmodules>; and <https://www.cbp.gov/trade/quota/bulletins/qb-21-505-washers-and-covered-parts>.

<sup>170</sup> For more information, see CRS In Focus IF10786, *Safeguards: Section 201 of the Trade Act of 1974*, by Vivian C. Jones.

<sup>171</sup> WTO, "Republic of Korea, Immediate Notification under Article 12.5 of the Agreement on Safeguards ...," April 6, 2018, at <https://www.globaltradealert.org/state-act/30786/republic-of-korea-second-immediate-notification-of->

appears that South Korea has not applied any retaliatory measures to date. South Korea also initiated WTO dispute settlement procedures as a complainant with regard to both of the U.S. Section 201 tariff measures. In early 2022, a WTO panel ruled that some aspects of the U.S. Section 201 import restrictions on washing machines violate WTO commitments.<sup>172</sup> Resolving the dispute through the WTO dispute-settlement process may be challenging given vacancies on the WTO's appellate body, which have resulted in the appellate body ceasing to function.<sup>173</sup>

In May 2019, President Trump also declared auto and auto parts imports a national security threat, following another Section 232 investigation by the Commerce Department. This provided the President with authority to impose unilateral tariffs on automobile imports, including imports from South Korea.<sup>174</sup> President Trump never imposed additional auto tariffs, but the prospect of the tariffs added tension and uncertainty in the bilateral relationship. South Korean officials expressed frustration at the threatened tariffs, particularly given the recent negotiation of the KORUS FTA modifications and what they viewed as significant South Korean concessions on auto issues, such as the extension of the U.S. light truck tariff.<sup>175</sup>

Biden Administration officials have stated that unilateral tariffs are a legitimate and at times necessary U.S. trade policy tool<sup>176</sup> and the Administration appears to have no intent currently to remove the existing import restrictions affecting South Korea.<sup>177</sup> The Section 201 tariffs are time limited up to a total duration of eight years. President Trump extended the washing machine tariffs through February 2023 and President Biden recently extended the solar tariffs, with some modification, through February 2026.<sup>178</sup> The Section 232 import restrictions are not time limited and will remain in place unless the President takes action to remove them. While some domestic U.S. producers of competing products support the tariff actions on steel, aluminum, solar panels, and washing machines, downstream U.S. industries and retailers argue the tariffs raise costs in the United States, which are ultimately passed to consumers and have argued that removing the tariffs could also be a potential tool to lower costs for U.S. consumers.<sup>179</sup>

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suspension-of-concessions-towards-the-united-states.

<sup>172</sup> WTO, "WTO Dispute Panel Issues Report Regarding U.S. Safeguard on Large Residential Washers," February 8, 2022 at [https://www.wto.org/english/news\\_e/news22\\_e/546r\\_e.htm](https://www.wto.org/english/news_e/news22_e/546r_e.htm).

<sup>173</sup> For more information, see CRS Report R45417, *World Trade Organization: Overview and Future Direction*, coordinated by Cathleen D. Cimino-Isaacs.

<sup>174</sup> Trump White House, "Adjusting Imports of Automobiles and Automobile Parts into the United States," May 17, 2019, <https://trumpwhitehouse.archives.gov/presidential-actions/adjusting-imports-automobiles-automobile-parts-united-states/>.

<sup>175</sup> Song Jung-a and Edward White, "South Korea Urges Trump to Drop Threatened Car Tariffs," *Financial Times*, May 12, 2019.

<sup>176</sup> U.S. Congress, Senate Finance Committee, Hearing to Consider the Nomination of Katherine C. Tai to be United States Trade Representative, with the rank of Ambassador Extraordinary and Plenipotentiary: Questions for the Record ("Nomination Hearing"), 117<sup>th</sup> Cong., 1<sup>st</sup> sess., Feb. 25, 2021.

<sup>177</sup> Commerce Secretary Gina M. Raimondo and USTR Katherine Tai, "What New Steel and Aluminum Deals Mean for American Families," *Pittsburgh Post-Gazette*, November 28, 2021.

<sup>178</sup> President Trump, "Proclamation on the Continuation of Facilitating Positive Adjustment to Competition from Imports of Large Residential Washers," January 14, 2021; President Biden, "Proclamation to Continue Facilitating Positive Adjustment from Competition from Imports of Certain Crystalline Silicon Photovoltaic Cells," February 4, 2022.

<sup>179</sup> Wall Street Journal, "U.S. Manufacturers Blame Tariffs for Swelling Inflation," May 30, 2021.

## Currency Issues

South Korean exchange rate policies periodically have been a source of consternation in bilateral relations. Some observers argue that South Korea has at times artificially depressed the value of the South Korean *won* in order to gain a trade advantage by making its exports cheaper in other countries' markets.<sup>180</sup> Given its dependence on international trade, South Korea's economy can be significantly affected by fluctuations in currency valuations. The U.S. Department of the Treasury (Treasury) monitors the foreign exchange policies of major U.S. trading partners and reports to Congress on its findings semi-annually.<sup>181</sup>

Pursuant to the Trade Facilitation and Enforcement Act of 2015, this semi-annual report considers three criteria to determine whether foreign countries' policies warrant more intensive engagement by Treasury. These criteria include (1) a significant (at least \$20 billion) bilateral trade surplus with the United States; (2) a material (in excess of 2% of GDP) current account surplus; and (3) persistent (occurring in six of 12 prior months) net purchases of foreign currency totaling at least 2% of GDP. Having had large bilateral and current account surpluses with the United States for several years, South Korea has met two of the three criteria during every reporting period except one since April 2016, and has remained on Treasury's Monitoring List of countries meriting close attention.<sup>182</sup>

In its April 2021 report to Congress, Treasury noted that in 2020, South Korea also engaged in foreign exchange transactions in an effort to limit appreciation of the *won*—a potential violation of the third monitoring criteria.<sup>183</sup> However, the scale of these transactions, which Treasury estimated ranged from \$5 billion to \$21.1 billion, remained under the 2% of GDP threshold required to trigger greater engagement by Treasury. The report urged South Korea to limit its currency interventions “to only exceptional circumstances of disorderly market conditions.”<sup>184</sup> Some economists, however, argue that Treasury's analysis of South Korea's foreign exchange transactions in 2020 was too narrow and found, using a broader definition of such transactions, that South Korea did manipulate its currency for a trade advantage.<sup>185</sup> Since 2018, South Korea has publicly reported on its foreign exchange transactions. The United States had long urged greater transparency in such transactions, and the Trump Administration stated that it reached an agreement with South Korea to this effect on the sidelines of the negotiations to modify the KORUS FTA.<sup>186</sup>

<sup>180</sup> For example, see Mark Sobel, *U.S. Foreign Exchange Policy—Currency Provisions and Trade Deals*, CSIS, April 3, 2019, <https://www.csis.org/analysis/us-foreign-exchange-policy-currency-provisions-and-trade-deals>.

<sup>181</sup> For more information, see CRS Report R43242, *Debates over Exchange Rates: Overview and Issues for Congress*, by Rebecca M. Nelson.

<sup>182</sup> U.S. Department of the Treasury, *Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States*, April 2021, p. 58. Three countries satisfied all three criteria in the April 2021 report: Vietnam, Taiwan, and Switzerland. Other countries on the Monitoring List included China, Japan, Germany, Ireland, Italy, India, Malaysia, Singapore, Thailand, and Mexico.

<sup>183</sup> *Ibid.*, p. 22.

<sup>184</sup> *Ibid.*

<sup>185</sup> Joseph E. Gagnon, “Yellen Treasury Looks the Other Way on Currency Manipulation,” Peterson Institute for International Economics, April 23, 2021.

<sup>186</sup> Trump Administration White House, “President Donald J. Trump is Fulfilling His Promise on the United States-Korea FTA and on National Security,” September 24, 2018, fact sheet, at <https://go.usa.gov/xe8Vq>.

## South Korea's Domestic Economy

In 2020, South Korea's economy contracted by 0.9%, one of the mildest contractions among advanced economies during the global pandemic-induced recession.<sup>187</sup> The economy benefitted from the government's ability to control the domestic spread of COVID-19 with minimal business lockdowns, supportive fiscal and monetary policy, and a sharp rebound in global demand for major South Korean exports. Despite the Moon Administration's relative success in moderating the economic fallout from the pandemic, the Administration has faced criticism over its broader economic reform agenda and South Korea continues to face a number of long-term economic challenges, including growing concerns over income and wealth inequality.<sup>188</sup>

The country experienced a dramatic shift in its economic trajectory over the past several decades. South Korea's economy expanded rapidly in the decades following the Korean War (1960s-1980s), during which it transformed from a largely agrarian to a modern industrialized economy. Although the country suffered a setback during the Asian financial crisis in the late 1990s, it pursued significant economic reforms, which helped it weather the global financial crisis in the late 2000s and avoid the deep recessions experienced in most advanced economies.<sup>189</sup> In 1990, South Korean gross domestic product (GDP)/capita was roughly one-third of the level in the United States, and by 2010, South Korea had closed this gap by half.<sup>190</sup> However, during the last decade South Korea experienced a significant growth slowdown. Ten-year average annual GDP growth in South Korea fell from 7.2% during the 1990s to 4.7% in the 2000s to 2.6% in the 2010s (Figure 5).

## Demographic Challenges<sup>191</sup>

Economists point to a number of reforms that could potentially accelerate the country's economic outlook. Two of the most fundamental challenges the country faces are its shrinking and rapidly ageing population. South Korea's population declined in 2020, for the first time on record.<sup>192</sup> At 0.84 children per woman in 2020, the nation has the world's lowest birthrate, which has trended further below the replacement rate of 2.1 since the early 1980s.<sup>193</sup> Despite efforts to encourage childbirth by successive governments, the rate has steadily declined, falling in each year of the Moon administration and by 20% from 2017 (1.05) to 2020 (0.84).<sup>194</sup> Women in South Korea face a number of challenges in juggling a career and childcare, and receive significant pay disparities relative to men, with compensation 32.5% below men on average—the largest gap in the OECD.<sup>195</sup> A shrinking population poses economic challenges, ranging from labor market

<sup>187</sup> Bank of Korea, "Monthly Statistical Bulletin," October 29, 2021, p. 16.

<sup>188</sup> Song Jung-a and Edward White, "South Korea Shatters National Debt Taboo to Tackle Inequality," *Financial Times*, September 6, 2021.

<sup>189</sup> For a brief overview of South Korea's economic transition, see Marcus Noland, "South Korea: The Backwater that Boomed," *Foreign Affairs*, vol. 93, no. 1 (January-February 2014).

<sup>190</sup> GDP data from IMF World Economic Outlook Database, October 2021.

<sup>191</sup> Former CRS research associate Tracy Jenkins helped prepare this section.

<sup>192</sup> Rick Gladstone, "As Birthrate Falls, South Korea's Population Declines, Posing Threat to Economy," *New York Times*, January 4, 2021.

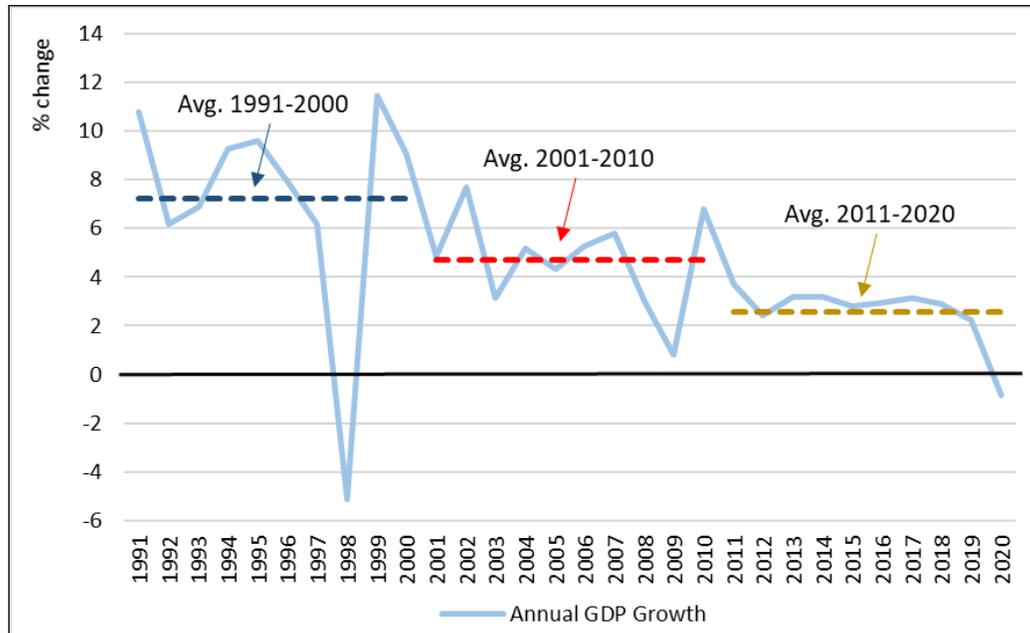
<sup>193</sup> Statistics Korea, "Vital Statistics of Korea," updated September 28, 2021, at [https://kosis.kr/statHtml/statHtml.do?orgId=101&tblId=DT\\_1B8000F&language=en](https://kosis.kr/statHtml/statHtml.do?orgId=101&tblId=DT_1B8000F&language=en).

<sup>194</sup> *Ibid.*

<sup>195</sup> OECD, *Inclusive Growth Review of Korea*, 2021, p. 26.

distortions, to a shortage of males eligible for military conscription, to general stagnant or slowing economic growth.<sup>196</sup>

**Figure 5. South Korea's Annual GDP Growth**



Source: IMF World Economic Outlook Database, October 2021.

Compounding these difficulties, South Korea has become the fastest ageing population among higher-income economies. Unless this demographic trend is reversed or moderated, a shrinking working age population will have to support a growing number of retirees, placing increasing strain on the country's finances. In 2019, the OECD estimated that South Korea's dependency ratio (the number of people older than 65 per 100 people of working age) will grow from roughly 20% today to nearly 90% by 2060 and will outpace Japan (with a ratio estimated at 80% in 2060).<sup>197</sup> Poverty among the elderly population is already a major concern and the highest among OECD countries at 43% in 2018.<sup>198</sup>

In light of its demographic challenges, a key potential method for boosting economic growth in South Korea is to increase the country's productivity per worker. As of 2017, South Korea's GDP/hour worked was near the bottom of OECD countries, on par with Greece and roughly half that of the United States, suggesting considerable potential for improvement.<sup>199</sup> Some observers argue that greater investment in emerging technologies, including artificial intelligence, could be

<sup>196</sup> Aram Hur, "South Korea's Demographic Crisis Is Challenging Its National Story - Demographics and the Future of South Korea," *Carnegie Endowment for International Peace*, accessed July 31, 2021, <https://carnegieendowment.org/2021/06/29/south-korea-s-demographic-crisis-is-challenging-its-national-story-pub-84820>.

<sup>197</sup> OECD, *Fiscal Challenges and Inclusive Growth in Ageing Societies*, OECD Economic Policy Paper No. 27, September 2019, p. 10, <https://doi.org/10.1787/c553d8d2-en>.

<sup>198</sup> OECD, "Poverty Rate Indicator," 2021 at <https://data.oecd.org/inequality/poverty-rate.htm>.

<sup>199</sup> OECD, *Compendium of Productivity Indicators 2019*, 2019, p. 49 at <https://doi.org/10.1787/1e1087a0-en>.

critical to improving South Korean labor productivity and easing the fiscal burdens, such as on healthcare, of its ageing population.<sup>200</sup>

### ***Bifurcated Industrial Structure and Labor Market***

While the country is home to some of the world's most innovative companies, a vast divide exists between these firms and those that employ the majority of the workforce. On one side of this split are the country's largest, export-oriented and globally competitive firms (often family-run conglomerates called *chaebol*), which are typically in the manufacturing sector. On the other side of this divide are South Korea's small firms, which are concentrated in the services sector and tend to be domestically oriented, and less productive. According to one study, value added per worker in the services sector, which employs three-quarters of the workforce, is roughly half that in the manufacturing sector.<sup>201</sup> The IMF has called for reforms, including easing barriers to entry and simplifying the regulatory processes, to encourage a more dynamic business environment that better equips young small firms to expand, and to boost productivity among services firms.<sup>202</sup>

A related challenge is the duality of the South Korean labor market. Strong labor protections and benefits packages for regular workers give firms an incentive to hire non-regular or temporary workers, who are easily fired and have fewer benefits. Non-regular workers, who account for roughly one-third of the salaried workforce, receive lower compensation (roughly two-thirds the level of regular workers), despite reportedly similar skill levels, and once in such positions, the probability of transitioning to regular employment is low, with fewer opportunities to upgrade skills.<sup>203</sup> The elderly, young, and women are heavily over-represented among non-regular workers. The pandemic recession exacerbated South Korea's labor market disparities, with non-regular workers facing the greatest share of layoffs.<sup>204</sup> As the country recovers from the pandemic, there are growing concerns that employment increases have been concentrated in non-regular employment, including for college-educated workers.<sup>205</sup> In addition to addressing concerns over fairness, many economists argue that greater flexibility in the labor market could help boost productivity by, for example, encouraging lifelong acquisition of new skills.<sup>206</sup>

### ***Increasing Housing Costs and Widening Inequality***

Other economic concerns include rapidly rising housing costs and related growth in household debt levels, especially during the pandemic. Average home prices in the Seoul metropolitan area, where the majority of the population lives, have doubled over the past five years, despite a variety of measures by the Moon government to deter price growth. These prices are now equal to 18 times the median household income.<sup>207</sup> Home prices surged 13% this year to August 2021, the

<sup>200</sup> For example, see Kyle Ferrier, *Can Emerging Technologies Cushion South Korea's Demographic Downturn*, Carnegie Endowment for International Peace, Demographics and the Future of South Korea, June 29, 2021.

<sup>201</sup> Jong-Wha Lee, "The Republic of Korea's Economic Growth and Catch-Up: Implications for the People's Republic of China," Asia Development Bank Institute, ADBI Working Paper Series No. 571, April 2016, p. 20.

<sup>202</sup> IMF, *2021 Article IV Consultation, Republic of Korea*, March 2021, p. 27.

<sup>203</sup> OECD, *Towards Better Social and Employment Security in Korea*, 2018, at <https://doi.org/10.1787/9789264288256-en>.

<sup>204</sup> IMF, *2021 Article IV Consultation, Republic of Korea*, March 2021, p. 8.

<sup>205</sup> Choi Jae-hee, "Irregular Workers with College Degrees Hit Record High: Data," *Korea Herald*, November 1, 2021.

<sup>206</sup> See for example, Choong Yong Ahn, "Beware the Law of Unintended Consequences: Why South Korea's Income-Led Growth Policy Isn't Working," *Global Asia*, vol. 14, no. 3 (September 2019).

<sup>207</sup> Cynthia Kim, "Seoul Warns of Debt Hangover as Apartment Price Growth Hits 15-yr High," *Reuters*, September

fastest rate of growth in 15 years.<sup>208</sup> At 201% of disposable income, household debt levels in South Korea are among the highest in the OECD and roughly twice that of the United States.<sup>209</sup> The Bank of Korea cited concerns over the growth in household debt and property prices in its August 2021 determination to raise South Korea's base interest rate to 0.75%.<sup>210</sup>

These various challenges have led to societal tensions over wealth and income inequality and privileges of the elite class. The Moon administration came to power in the aftermath of the South Korean public's outrage at former-President Park's corruption scandal, which included special treatment for politically connected families. The activities and employment patterns of the *chaebol* contribute to narratives about unfairness and inequality in the economic system, as a small share of South Koreans (roughly 12%) enjoy the high wages and benefits associated with employment at these large firms.<sup>211</sup> At the same time, a history of direct and indirect state support helped the *chaebol* to achieve their dominant position in the country's economy (e.g., Hyundai and its subsidiary Kia account for 80% of domestic auto sales).<sup>212</sup> Corruption and illicit activity among *chaebol* leaders, who often face relatively lenient sentences if convicted, is another concern—Samsung's head, for example, was convicted of bribery related to the impeachment of former President Park Geun-hye.<sup>213</sup> Some critics of *chaebol* privileges argue that reforms to address their concentration of economic and political power may be fundamental to improving South Korea's economic outlook.<sup>214</sup>

Addressing inequality and delivering more inclusive economic growth has been the central economic focus of President Moon's tenure, in addition to pandemic recovery. The Moon administration has implemented a number of key reforms, particularly in the labor market, including multiple yearly increases to the minimum wage (totaling roughly 30%), a statutory limit to weekly working hours, and a boost in government hiring. As in the United States, there is intense debate in South Korea over the appropriate reforms to improve economic outcomes for low-income households, and many in South Korea have been critical of the Moon administration's policies. Critics point to lackluster economic growth and widening income inequality metrics in arguing that President Moon has failed to address the core challenges in the economy, and instead urge greater focus on spurring productivity through innovation and greater flexibility in the labor market.<sup>215</sup>

### *The Korean New Deal*

More recently, in mid-2020, the Moon administration announced a Korean New Deal agenda that includes greater government investment in digital technology and green growth industries with planned associated investment by the private sector. Some observers saw this new economic framework as an attempt to address the criticisms of the government's income-driven growth

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23, 2021.

<sup>208</sup> Ibid.

<sup>209</sup> OECD Data, *Household Debt*, 2021, at <https://data.oecd.org/hha/household-debt.htm>.

<sup>210</sup> Bank of Korea, "Monetary Policy Decision," press release, August 26, 2021.

<sup>211</sup> Eleanor Albert, "South Korea's Chaebol Challenge," Council on Foreign Relations, May 4, 2018.

<sup>212</sup> Sangin Park, "Chaebol Reforms are Crucial for South Korea's Future," *East Asia Forum*, March 24, 2021.

<sup>213</sup> Bryan Harris and Kang Buseong, "South Koreans Push for Promised Chaebol Reforms," *Financial Times*, November 27, 2018.

<sup>214</sup> Sangin Park, "Chaebol Reforms are Crucial for South Korea's Future," *East Asia Forum*, March 24, 2021.

<sup>215</sup> Choong Yong Ahn, "Beware the Law of Unintended Consequences: Why South Korea's Income-Led Growth Policy Isn't Working," *Global Asia*, vol. 14, no. 3 (September 2019).

policies.<sup>216</sup> In 2021, President Moon broadened this agenda with more funding toward the social safety net and efforts to stimulate economic activity outside of Seoul.<sup>217</sup> South Korea's social welfare spending, at 12.2% of GDP in 2019, is among the lowest of advanced economies, with only Turkey (12%), Chile (11.4%), and Mexico (7.5%) spending less as share of economic output among OECD members.<sup>218</sup> Given the short time remaining in the Moon administration, the success of these Korean New Deal initiatives may depend largely on cooperation and continuation by the private sector and the policies of South Korea's next administration.

## Nuclear Energy and Nonproliferation Cooperation

The United States and South Korea have cooperated in the peaceful use of nuclear energy since the 1950s.<sup>219</sup> This cooperation includes commercial power reactor projects as well as research and development work on safety, safeguards, advanced nuclear reactors, and fuel cycle technologies. In their May 2021 Joint Summit statement, the two Presidents reaffirmed “that close coordination on all matters related to global nonproliferation and safe, secure, and safeguarded uses of nuclear technology remain key characteristics of the alliance, and the United States recognizes the ROK's global role in promoting nonproliferation efforts.”<sup>220</sup> They pledged to “develop cooperation in overseas nuclear markets, including joint participation in nuclear power plant projects.” The High-Level Bilateral Commission (HLBC) on nuclear energy provides a forum for strategic dialogue and technical exchanges, especially regarding spent fuel management, the promotion of nuclear exports and export control cooperation, assured fuel supply, and nuclear security.<sup>221</sup>

Nuclear power constitutes approximately one-third of South Korea's electricity.<sup>222</sup> The South Korean government is planning a phase out for nuclear energy by 2040, partly reflecting concern by the public about safety issues related to nuclear energy as a whole. At the same time, South Korea is a new exporter of nuclear power plants, with Korea Electric Power Company (KEPCO) completing construction of the first of four AP1400 reactors in the United Arab Emirates in 2018. Some argue that closer U.S.-ROK cooperation in nuclear reactor exports could revitalize the nuclear industries in both countries.<sup>223</sup> Others see the two countries as possible competitors for future contracts such as in Saudi Arabia. Advances in small modular reactor (SMR) designs in both countries are a growing area of cooperation between U.S. and South Korean companies.<sup>224</sup>

South Korea is a non-nuclear-weapon State Party to the nuclear Non-Proliferation Treaty (NPT) and has IAEA safeguards, including the Additional Protocol, on its nuclear facilities. South Korea

<sup>216</sup> Kim Jaewon, “South Korea's Moon Stakes Legacy on \$138bn K-New Deal,” *Nikkei Asia*, October 14, 2020.

<sup>217</sup> South Korea's Office of the President, “Remarks by President Moon Jae-in at Presentation for Korean New Deal 2.0 Plans,” July 14, 2021.

<sup>218</sup> OECD, *Social Expenditure Database*, updated November 2020, at <https://www.oecd.org/social/expenditure.htm>.

<sup>219</sup> The original agreement for civilian nuclear cooperation was concluded in 1956, and amendments were made in 1958, 1965, 1972, and 1974. See also CRS Report RS22937, *Nuclear Cooperation with Other Countries: A Primer*, by Paul K. Kerr and Mary Beth D. Nikitin and CRS Report R41032, *U.S. and South Korean Cooperation in the World Nuclear Energy Market: Major Policy Considerations*, by Mark Holt.

<sup>220</sup> White House, “U.S.-ROK Leaders' Joint Statement,” May 21, 2021.

<sup>221</sup> “Statement on Launch of the U.S.-Republic of Korea High Level Bilateral Commission,” <http://www.nss2016.org/news/2016/3/4/statement-on-launch-of-the-us-republic-of-korea-high-level-bilateral-commission>.

<sup>222</sup> “Nuclear Power in South Korea,” World Nuclear Association, updated November 2020, <https://world-nuclear.org/information-library/country-profiles/countries-o-s/south-korea.aspx>.

<sup>223</sup> Stephen Green, “Advancing US-ROK cooperation on nuclear energy,” *The Atlantic Council*, March 2021.

<sup>224</sup> Jung Min-Lee, “South Korea and United States to Cooperate in Nuclear Power Industry,” *Business Korea*, May 24, 2021, <http://www.businesskorea.co.kr/news/articleView.html?idxno=67785>.

is also a member of the Nuclear Suppliers' Group (NSG), which controls sensitive nuclear technology trade. Further strengthening its nonproliferation commitments, at the May 2021 summit, South Korea agreed to “adopt a common policy with the United States to require recipient countries have an IAEA safeguard agreement Additional Protocol in place as a condition of supply of nuclear power plants.”<sup>225</sup>

In 2015, the United States and South Korea renewed their bilateral civilian nuclear cooperation or “123” agreement following lengthy negotiations and a required congressional review period.<sup>226</sup> The renewed agreement expanded South Korea's options for managing its fuel supply and spent fuel stocks. It provides “express reciprocal consent rights over any retransfers or subsequent reprocessing or enrichment of material subject to the agreement.”<sup>227</sup> It also gives South Korea advance permission to ship U.S.-obligated spent fuel overseas for reprocessing into mixed-oxide fuel if it chooses to do so. The agreement allows for enrichment up to 20% of fissile uranium-235 in South Korea, after consultation through the bilateral commission and further written agreement by the United States, and also includes U.S. fuel supply assurances.<sup>228</sup>

The United States and South Korea continue joint research and development projects to address the disposition of spent fuel stocks. The Korean Atomic Energy Research Institute (KAERI) is pursuing a type of reprocessing called “pyroprocessing.” The U.S. and South Korea conduct joint R&D on this technology at Idaho National Laboratory. The South Korean government sought broad U.S. approval for pyroprocessing but did not receive it in the 123 agreement negotiations.<sup>229</sup> The United States has a long-term nonproliferation policy of discouraging the spread of fuel cycle (enrichment and reprocessing) technology to new states because they can be used to create material for fuel or for nuclear weapons. To help overcome this conflict, the United States and South Korea began a 10-year Joint Fuel Cycle Study on the economics, technical feasibility, and nonproliferation implications of spent fuel disposition, including pyroprocessing.<sup>230</sup> The Joint Study was expected to be completed in 2021, but the results have not been officially announced. Critics of pyroprocessing contend that any separation of plutonium

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<sup>225</sup> White House, “Fact Sheet: United States-Republic of Korea Partnership,” May 21, 2021, <https://www.whitehouse.gov/briefing-room/statements-releases/2021/05/21/fact-sheet-united-states-republic-of-korea-partnership/>.

<sup>226</sup> “123” refers to Section 123 of the Atomic Energy Act (as amended). The two governments initialed the text of the renewed agreement in April 2015. The agreement did not require an affirmative vote of approval from Congress and entered into force on November 25, 2015, after a mandatory congressional review period. Its duration is 20 years, after which it automatically will renew for an additional five-year period unless either or both parties choose to withdraw. Text found at <http://www.gpo.gov/fdsys/pkg/CDOC-114hdoc43/pdf/CDOC-114hdoc43.pdf>.

<sup>227</sup> The Atomic Energy Act (as amended) mandates that U.S. nuclear cooperation agreements require U.S. consent for any “alteration in form or content” (to include enrichment or reprocessing) of U.S.-origin material or any material processed in a plant containing transferred U.S. nuclear technology.

<sup>228</sup> South Korea does not have an enrichment capability, but was seeking language in the new agreement that would open the door to that possibility. Enrichment at low levels can be used for nuclear fuel and would be subject to IAEA safeguards. South Korea sought prior consent for enrichment but did not receive it in the renewed agreement. Instead, the agreement provides for the two sides to consider the issue through the High Level Bilateral Commission. The current South Korean government plans to phase out nuclear power and has announced no plans for domestic enrichment.

<sup>229</sup> Fred McGoldrick, *The New Peaceful Nuclear Cooperation Agreement Between South Korea and the United States From Dependence to Parity*, Special Studies Series 6: Korea Economic Institute of America, September 2015.

<sup>230</sup> For details, see CRS Report R41032, *U.S. and South Korean Cooperation in the World Nuclear Energy Market: Major Policy Considerations*, by Mark Holt.

from spent fuel could allow a country to make weapons-useable material with further chemical processing.<sup>231</sup>

## South Korea's Regional Relations

### South Korea-China Relations

As seen in the “Legislation in the 117th Congress” section, many Members see South Korea as a partner in dealing with a variety of regional China-related challenges. China’s rise as an economic and military power influences virtually all aspects of South Korean foreign and economic policy. Since China’s 2001 entry into the World Trade Organization, China has emerged as South Korea’s most important economic partner. Over 25% of South Korea’s total trade is with China, more than the combined level of South Korea’s trade with the United States and Japan, its second and third-largest trade partners. For years, China has been the number one location for South Korean firms’ foreign direct investment, and the two countries signed a bilateral FTA in 2015. Yet, even as China is an important source of South Korean economic growth, it also looms large as an economic competitor. Fears of increased competition with Chinese enterprises have been an important motivator for South Korea’s push to negotiate a series of FTAs with other major trading partners around the globe.

Beijing has punished ROK companies when it disagrees with Seoul’s policy decisions. Perhaps the most notable example occurred following Seoul’s 2016 decision to deploy a U.S. THAAD missile defense battery. China responded by enacting measures that have cost ROK companies billions of dollars. Tensions were reduced after South Korea announced in October 2017 that it had no intention of deploying additional THAAD batteries, was not seeking to join the United States’ missile defense network, and would not enter into a trilateral military alliance with the United States and Japan.<sup>232</sup> Many South Korean officials and analysts criticize the United States for not doing more to support Seoul in its ensuing struggle with Beijing over the issue.

Additionally, North Korea’s dependence on China has grown: since 2017, China has accounted for over 90% of North Korea’s trade with the world and shielded North Korea from additional sanctions at the UNSC. Therefore, South Korea must increasingly factor Beijing’s actions and intentions into its North Korea policy. Chinese support or opposition could be decisive in shaping the outcome of South Korea’s approaches to North Korea, both in the short term (such as handling sudden crises) and the long term (such as contemplating how to bring about

<sup>231</sup> Frank N. von Hippel and Jungmin Kang, “Why joint US-South Korean research on plutonium separation raises nuclear proliferation danger,” *Bulletin of the Atomic Scientists*, January 13, 2022.

<https://thebulletin.org/2022/01/why-joint-us-south-korean-research-on-plutonium-separation-raises-nuclear-proliferation-danger/>

<sup>232</sup> Then-Foreign Minister stated these policies, which became known as “The Three No’s,” in testimony to the National Assembly on October 30, 2017. The following day, South Korea and the PRC simultaneously issued statements on restoring better bilateral relations in which “the Chinese side expressed its position and concern regarding the establishment of MD, additional deployment of THAAD, and military cooperation among Korea, the United States, and Japan. The Korean side reiterated its positions that it had publicly stated.” The second sentence reportedly referred to Foreign Minister Kang’s testimony. Although the South Korean government officially denied a connection between the two announcements, reporting by various sources indicated they were part of a compromise that put diplomatic relations back on track. Jung Min-kyung, “Seoul Not Considering Joining US Missile Defense System: FM Kang,” *The Korea Herald*, October 30, 2017; Unofficial Translations of October 31, 2017 South Korea-China statement provided to CRS by South Korean Embassy; Daniel Snyder, “South Korea Maneuvers Between China and The U.S.,” *Toyo Keizai*, December 12, 2017.

reunification). During a December 2021 visit to Australia, President Moon summarized the context for his approach to China:

First of all, in terms of our alliance with the US, it's the basis of our diplomacy as well as security affairs, and in terms of the economic relationship, of course, the relationship with China is important. However, Korea has another factor to take into account, and that has to do with the peace and security on the Korean Peninsula. And it's also denuclearisation of DPRK. We need the constructive efforts of China to enable denuclearisation of DPRK. Therefore, Korea is focused on the steadfast alliance with the US and also with China. We want a harmonised relationship and we want to maintain such a relationship, and we will be putting in the efforts to make this happen.<sup>233</sup>

Partially due to these factors, South Korean officials generally are reluctant to raise objections in public about PRC behavior that does not directly affect South Korea, particularly on issues such as human rights, the South China Sea, or Taiwan. However, many South Korean and U.S. analysts have noticed a rise in negative attitudes towards China among South Koreans since the 2016 THAAD incident, as well as increased tensions between the two countries over PRC fishermen's alleged incursions into and over-fishing of South Korean waters. Many South Koreans also have publicly expressed displeasure that in recent years the PRC has attempted to appropriate Korean cultural and culinary products, such as kimchi, as well as a perceived PRC campaign to lay claim to ancient kingdoms on the Korean Peninsula that Koreans regard as part of their national history.<sup>234</sup> According to a 2020 Pew Research Center poll, the PRC has replaced Japan as the country South Koreans regard most unfavorably. Pew found that negative views toward the PRC have been particularly notable among South Koreans in their 20s and 30s; among the 14 countries surveyed, South Korea was the only country in which younger people held more unfavorable views toward China than previous generations.<sup>235</sup> These shifts in public opinion may partly explain Moon's willingness to allow more PRC-relevant phrases to appear in the Biden-Moon May 2021 joint statement than is typical of U.S.-ROK statements.

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 may be more likely after the Biden Administration dropped the previous U.S. framing of the group as anti-China and led the creation of new Quad initiatives on COVID-19 vaccine distribution, climate change, and critical technologies. South Korea has comparable bilateral projects with the United States and several other countries, creating the potential for expanded explicit or unofficial cooperation with the Quad programs.

Many observers and policymakers have recommended the U.S. reorient its defense strategy, posture, and presence in the Indo-Pacific to more directly address potential military challenges by China. To this end, section 1251 of the FY2021 NDAA authorized the establishment of a Pacific Deterrence Initiative to establish, oversee, and fund a long-term strategy to deter Chinese military aggression in the Indo-Pacific and "to carry out prioritized activities to enhance the United States deterrence and defense posture in the Indo-Pacific region, assure allies and partners, and increase capability and readiness in the Indo-Pacific region." As Members of Congress continue to advance the Pacific Deterrence Initiative (for which the FY2022 NDAA authorized additional funding) and seek to shape U.S. military responses to China in the Indo-Pacific, they may

<sup>233</sup> Office of the Prime Minister of Australia, "Press Conference Transcript," December 13, 2021.

<sup>234</sup> "China Should Know Why Koreans are Upset over Hanbok at Olympics Show," *Hankyoreh*, February 7, 2022.

<sup>235</sup> Choe Sang-Hun, "South Koreans Now Dislike China More than They Dislike Japan," *New York Times*, August 20, 2021; Laura Silver, Kat Devlin and Christine Huang, "Unfavorable Views of China Reach Historic Highs in Many Countries," *Pew Research Center*, October 6, 2020.

consider how such initiatives may affect U.S. military priorities and presence on the Korean Peninsula and U.S.-ROK relations more generally.

## South Korea-Japan Relations

South Korea's ties with Japan are perennially fraught and U.S. policymakers have long encouraged enhanced South Korea-Japan relations. For over a decade, some Members of Congress have expressed support for deeper U.S.-ROK-Japan cooperation and concern when relations between Seoul and Tokyo have taken a downturn.<sup>236</sup> A cooperative relationship between the two countries, both U.S. treaty allies, and among the three benefits U.S. interests because it arguably enhances regional stability, helps coordination over North Korea policy, and boosts each country's ability to deal with the strategic challenges posed by China's rise. However, bilateral mistrust between Seoul and Tokyo has deepened over the past half-decade. Domestic political dynamics in both countries often exact a political cost to those who advocate steps that would help assuage the concerns of the other side and reward those who take a confrontational stance. As a result, South Korea–Japan relations often suffer from strategic neglect in both capitals.<sup>237</sup>

Among the causes of bilateral friction are the two countries' competing claims to the small Dokdo/Takeshima islands in the Sea of Japan (called the East Sea by Koreans). Another major source of tension is South Korean complaints that Japan has not adequately acknowledged its history of aggression against Korea.<sup>238</sup> For more than three generations beginning in the late 19<sup>th</sup> century, Japan intervened directly in Korean affairs, culminating in the annexation of the Korean peninsula in 1910. Over the next 35 years, Imperial Japan all but attempted to subjugate Korean culture.<sup>239</sup> Among the victims were tens of thousands<sup>240</sup> of South Korean “comfort women” who during the 1930s and 1940s were brought into, many if not most by coercive measures, a system of facilities that provided sexual services for Japanese soldiers throughout the Imperial Japanese Empire. When South Koreans perceive that Japanese officials are downplaying or denying this history, it becomes difficult for South Korean leaders to support initiatives to institutionalize improvements in bilateral ties.

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<sup>236</sup> For example, in February 2019, when South Korea-Japan relations were entering a particularly tense phase, a bipartisan, bicameral group of lawmakers, including the chairs and ranking members of the House Foreign Affairs Committee and Senate Foreign Relations Committee, co-sponsored a resolution (H.Res. 127 and S.Res. 67, 116<sup>th</sup> Congress) affirming the importance of Japan-South Korea-U.S. trilateral cooperation.

<sup>237</sup> Park Cheol-hee, “Strategic Neglect on Both Sides: Korea-Japan Relations in 2018,” November 13, 2018 discussion at the Edwin O. Reischauer Center for East Asian Studies, Johns Hopkins School of Advanced International Studies, Washington, DC.

<sup>238</sup> Since the early 1950s, South Korea has administered Dokdo/Takeshima, which the U.S. government officially calls the “Liancourt Rocks.”

<sup>239</sup> For instance, Japanese authorities banned the use of the Korean language in schools and required all Koreans to adopt Japanese names. Many Koreans believe that the United States was complicit in this history, in part by reportedly informally agreeing in a 1905 meeting between U.S. Secretary of War William Taft and Japanese Prime Minister Taro Katsura that the United States would recognize Japan's sphere of influence over Korea in return for Japan doing the same for the United States in the Philippines.

<sup>240</sup> According to some Japanese sources, the number of South Korean comfort women was much lower.

### **“Comfort Women”-Related Legislation in U.S. Congress**

In the past, the U.S. House of Representatives has taken an interest in the comfort women issue. In the 109<sup>th</sup> Congress, H.Res. 759 was passed by the House International Relations Committee on September 13, 2006, but was not voted on by the full House. In the 110<sup>th</sup> Congress, H.Res. 121, with 167 co-sponsors, was passed in the House on July 30, 2007, by voice vote. This resolution expressed the sense of the House that Japan should “formally acknowledge, apologize, and accept historical responsibility in a clear and unequivocal manner” for its abuses of the comfort women. The text of the resolution calls the system “unprecedented in its cruelty” and “one of the largest cases of human trafficking in the 20<sup>th</sup> century,” asserts that some Japanese textbooks attempt to downplay this and other war crimes, and states that some Japanese officials have tried to dilute the 1993 Kono Statement, a document issued by then-Chief Cabinet Secretary Yohei Kono that apologized to the victims and admitted responsibility by the Japanese military. In the 113<sup>th</sup> Congress, the 2014 Consolidated Appropriations Act (P.L. 113-76, H.R. 3547) indirectly referred to H.Res. 121. P.L. 113-76’s conference committee issued a Joint Explanatory Statement that called on Federal Agencies to implement directives contained in the July 2013 H.Rept. 113-185, which in turn “urge[d] the Secretary of State to encourage the Government of Japan to address the issues raised” in H.Res. 121.

Relations have been particularly tense in recent years, following four events in the 2018-19 period: Moon’s steps to effectively terminate a 2015 ROK-Japan agreement on comfort women; South Korean Supreme Court rulings that Japanese firms should compensate South Koreans for forced labor during Japan’s occupation; Japan’s June 2019 imposition of procedural hurdles on exports to South Korea of key technology materials; and South Korea’s August 2019 decision to abandon a ROK-Japan military intelligence-sharing pact. This final move threatened to further erode U.S.-ROK-Japan security cooperation until, under heavy U.S. pressure, Seoul in November 2019 agreed to delay its withdrawal from the agreement. Many analysts criticized the Trump Administration for not intervening earlier to prevent ROK-Japan relations from deteriorating. The Biden Administration has emphasized the importance of trilateral cooperation and has convened a number of high-level trilateral meetings, generally focused on dealing with North Korea, though U.S. government readouts mention other topics of discussion such as climate change and securing supply chains.<sup>241</sup> Lingering tensions between the two sides, however, have prevented them from holding a bilateral summit since 2019. The Administration’s February 2022 Indo-Pacific strategy states that one of its ten “core lines of effort” is “expand[ing] U.S.-Japan-ROK cooperation,” to include not only North Korea-related matters, but also regional development and infrastructure, critical technology and supply-chain issues, and women’s leadership and empowerment. “Increasingly,” the strategy says, “we will seek to coordinate our regional strategies in a trilateral context.”<sup>242</sup>

### **South Korea-Burma (Myanmar) Relations<sup>243</sup>**

Following the Burmese military’s February 2021 seizure of political power, the South Korean government called for the restoration of democracy and the South Korean National Assembly passed a resolution condemning the junta’s actions. President Moon and other senior officials issued particularly vocal condemnations of the junta’s violent suppression of protestors. They cited parallels to a seminal moment in modern South Korean history, a May 1980 incident in the South Korean city of Gwangju, where the South Korean military government cracked down against a pro-democracy uprising, killing at least hundreds and perhaps thousands of protestors.<sup>244</sup>

<sup>241</sup> For instance, see State Department, “Secretary Blinken’s Trilateral Meeting with Japanese Foreign Minister Motegi and Republic of Korea Foreign Minister Chung,” September 22, 2021.

<sup>242</sup> The White House, *Indo-Pacific Strategy of the United States*, February 2022, p. 17.

<sup>243</sup> Former CRS research associate Tracy Jenkins drafted this section.

<sup>244</sup> “Moon Calls for Release of Myanmar’s Aung San Suu Kyi, Condemns Crackdown on Protests,” *Yonhap News*

South Korea suspended new defense exchanges and cooperation with Burma, including the export of military supplies. It also extended the visa status of all Burma nationals residing in South Korea until peace is restored in Burma, and is reassessing development corporation projects, though has agreed to continue projects that would directly affect livelihood and humanitarian aid assistance in Burma.<sup>245</sup> In their May 2021 joint statement, Biden and Moon condemned the actions of the Burmese military, known as the Tatmadaw. In November, the two countries joined with Australia, Canada, New Zealand, Norway, and the United Kingdom to condemn the Tatmadaw for its “ongoing human rights violations and abuses.”<sup>246</sup>

Prior to the 2021 coup, South Korean investment into Burma had increased significantly over the previous decade. South Korea also significantly increased its Official Development Assistance (ODA) to Burma since the middle of the past decade. After providing an estimated \$44 million in total ODA to Burma from 2010-2014, South Korea increased its aid disbursements to approximately \$260 million in the 2015-19 period.<sup>247</sup> In comparison, South Korea provided over \$1.7 billion and \$1.9 billion to all of ASEAN countries excluding Brunei, over the 2010-14 and 2015-2019 periods, respectively.

Prior to the February 2021 coup, South Korea was one of Burma’s top-ten trade and investment partners, largely importing agricultural goods, apparel goods, rubber, and aluminum scraps, and exporting heavy construction material, commercial and transport cars, medical goods, and cosmetic goods.<sup>248</sup> Between 1988 and 2017, Burma reportedly attracted \$71 billion in foreign direct investment, with South Korea accounting for 5% of the total.<sup>249</sup> Between 2018 and 2021, South Korea’s largest investment sectors in Burma by number of corporations were manufacturing; wholesale retail; financial and insurance; and professional, scientific, technical services.<sup>250</sup> By value, the bulk of the investments was largely in the mining and financial sectors, followed by manufacturing.

## South Korea’s New Southern Policy: Relations with South and Southeast Asia

In 2017, President Moon launched a whole-of-government initiative to elevate South Korea’s relations with ASEAN’s ten member-states<sup>251</sup> and India “to the same level Korea maintains with

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Agency, March 6, 2021; “Moon Recalls 1980 Gwangju Uprising, Hopes for Breakthrough in Myanmar,” *Yonhap News Agency*, May 18, 2021.

<sup>245</sup> Ministry of Foreign Affairs, “Korean Government’s Measures on Situation in Myanmar,” March 12, 2021; Kim Sea Young, “300 Days Since Myanmar Coup: How South Korea Can Deliver Aid That Counts,” *The Peninsula* blog, Korea Economic Institute of America, November 17, 2021.

<sup>246</sup> State Department, “Joint Statement on Increasing Violence in Myanmar,” November 26, 2021.

<sup>247</sup> ODA numbers cited in constant 2019 dollars. Dataset: Aid (ODA) Disbursements to Countries and Regions [DAC2a], *Organisation for Economic Co-operation and Development*, data extracted July 22, 2021, available at <https://stats.oecd.org/#>. For more, see Hyo-Sook Kim, “The Political Drivers of South Korea’s Official Development Assistance to Myanmar,” *Contemporary Southeast Asia* 40, no. 3 (2018): 475–502.

<sup>248</sup> KOTRA, “국가·지역정보” (Country/region information), KOTRA “해외시장뉴스” (Overseas Market News), accessed July 21, 2021, <https://news.kotra.or.kr/user/nationInfo/kotranews/14/nationMain.do?natnSn=57>.

<sup>249</sup> Blackpeak, “Investing in Myanmar: Southeast Asia’s Last Frontier| Blackpeak Group,” *Blackpeak* (blog), July 26, 2017, <https://www.blackpeakgroup.com/2017/07/investing-in-myanmar-southeast-asias-last-frontier/>.

<sup>250</sup> KOTRA, “국가·지역정보” (Country/region information), KOTRA “해외시장뉴스” (Overseas Market News), accessed July 21, 2021, <https://news.kotra.or.kr/user/nationInfo/kotranews/14/nationMain.do?natnSn=57>.

<sup>251</sup> ASEAN’s members are Brunei, Burma (Myanmar), Cambodia, Indonesia, Laos, Malaysia, the Philippines,

the four major powers (the United States, China, Japan and Russia),” primarily by expanding economic ties, people-to-people exchanges, and cooperation in non-traditional security areas such as supply chain resiliency and global health.<sup>252</sup> The effort, named the “New Southern Policy” (NSP), fits with Moon’s overall goal of increasing South Korea’s strategic autonomy and overlaps with parts of the United States’ approach to the Indo-Pacific over the past several years. The NSP represents an attempt to diversify South Korea economically away from China, take advantage of Southeast Asia’s and India’s growing economic importance, and expand South Korea’s strategic flexibility, particularly amidst rising rivalry between the United States and China. A further goal was to solidify the recipients’ support for Moon’s goals toward North Korea.<sup>253</sup>

Within two years after unveiling the New Southern Policy, Moon visited India and became the first South Korean president to visit all ten ASEAN members. Under the New Southern NSP, his government expanded the government’s bureaucratic resources devoted to Southeast Asia, announced a plan to more than double overseas development assistance to ASEAN countries by 2023, and concluded or began negotiating upgrades to multiple trade agreements with India and Southeast Asian countries. The New Southern Policy emphasized the role South Korea could play in helping Southeast Asian countries and India deal with non-traditional security issues such as maritime security, terrorism, cyber security, natural disasters and climate change. In 2020, Moon’s government launched the “New Southern Policy Plus,” which expanded public health assistance, particularly COVID-19-related items.<sup>254</sup>

Moon’s New Southern Policy overlaps in a number of areas with the Indo-Pacific policies pursued by both the Trump and Biden Administrations, including infrastructure development, energy, pandemic response, and cybersecurity. Since at least 2019, the Washington, DC and Seoul have attempted to create linkages between their two approaches, signing multiple MOUs, holding a number of meetings to discuss coordination, and launching some small-scale joint projects in Southeast Asia, such as an anti-corruption program in Indonesia.<sup>255</sup> One 2021 study of U.S.-South Korean coordination in Southeast Asia described most coordination as “nascent” and concluded that rather than pursuing joint efforts with the United States and U.S.-led multi-country

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Singapore, Thailand, and Vietnam.

<sup>252</sup> Presidential Committee on New Southern Policy, “What is the NSP?” <http://www.nsp.go.kr/eng/policy/policy2.do>, accessed October 27, 2021; Sohn JiAe, “President Moon Unveils New Southern Policy for ASEAN,” *Korea.net*, November 10, 2017.

<sup>253</sup> Andrew Yeo, “South Korea’s New Southern Policy and the United States Indo-Pacific Strategy: Implications for the U.S.-ROK Alliance,” July 22, 2021, Mansfield Foundation; Kathryn Botto, *South Korea Beyond Northeast Asia: How Seoul Is Deepening Ties With India and ASEAN*, Carnegie Endowment for International Peace, October 2021.

<sup>254</sup> Presidential Committee on New Southern Policy, “New Southern Policy Plus,” [http://www.nsp.go.kr/eng/policy/policy4\\_1.do](http://www.nsp.go.kr/eng/policy/policy4_1.do), accessed October 27, 2021.

<sup>255</sup> For a comprehensive list of joint projects, see Miyeon Oh, *Beyond the Peninsula: Prospects for US-ROK Regional Cooperation in the Indo-Pacific*, The Atlantic Council, September 2021.

During the Trump Administration, the United States and South Korea issued joint fact sheets on cooperation in 2019 and again in 2020, identifying energy, infrastructure and development, the digital economy, natural disaster response, and marine environmental protection, and other issues on which cooperation could be fruitful. In September 2019, U.S. Agency for International Development (USAID) and the South Korean Ministry of Foreign Affairs signed a memorandum of understanding in September 2019 to strengthen development cooperation in sectors such as women’s empowerment, youth, health, and education. USAID, “Memorandum of Understanding for Development Cooperation between the United States Agency for International Development and the Ministry of Foreign Affairs of the Republic of Korea,” September 30, 2019. MOUs also have been signed between the Treasury Department and South Korea’s Ministry of Economy and Finance on joint infrastructure development efforts, and between the U.S. CDC and the Korea CDC on jointly preventing and fighting regional disease outbreaks.

initiatives, South Korea “seems to prefer to focus on complementary, but independent, efforts in Southeast Asia.”<sup>256</sup> The most high profile and ambitious joint project, the KORUS Global Vaccine Partnership launched by Biden and Moon in May 2021, appears to be an exception to this general rule.

## South Korea’s Political Structure

For most of the first four decades after the country was founded in 1948, South Korea was ruled by authoritarian governments. Following widespread anti-government protests throughout the 1980s, the country’s military rulers in 1987 agreed to allow a new constitution to be written and elections to be held. These moves opened the door to a fundamental transformation of the South Korean polity into what by most measures is a thriving, robust democracy. Over the past 30 years, South Korea has conducted seven presidential elections, managed multiple changes in power from ruling to opposition party, held elections at all levels of government, and experienced a flowering of civil society organizations. Peaceful protests against government policies, protected by constitutional guarantees of the freedom of expression, are a regular feature of daily life. South Korea’s unicameral National Assembly has impeached two presidents, one of whom, Park Geun-hye, was subsequently removed from office in March 2017 for corruption by a unanimous Constitutional Court ruling that followed massive candlelight protests against her. In December 2021, Moon pardoned Park, who had defeated him in the 2012 presidential election.

### A Powerful Executive Branch

Nominally, power in South Korea is shared by the president and the 300-member unicameral National Assembly. Of these, 253 members represent single-member constituencies. The remaining 47 are selected based on proportional voting. National Assembly members are elected to four-year terms. The president and the central bureaucracy continue to be the dominant forces in South Korean policymaking, as formal and informal limitations prevent the National Assembly from initiating major pieces of legislation. Constitutional reforms to reduce the President’s powers have been proposed by a succession of governments, most recently by President Moon. Neither the previous National Assembly, in office from 2016-2020, nor the current one have advanced these proposals.<sup>257</sup>

### Political Parties

Presently, there are two major political parties in South Korea. U.S. ties historically have been stronger with South Korea’s conservative parties.

- **The Minjoo (Democratic) Party** is South Korea’s largest party and its main progressive party. Minjoo has controlled the National Assembly since April 2016 elections and currently controls the largest majority in the chamber since the 1987 Constitution was adopted. Minjoo’s predecessors controlled the Blue House from 1998 to 2008, and the National Assembly from 2004 to 2008.

<sup>256</sup> Miyeon Oh, *Beyond the Peninsula: Prospects for US-ROK Regional Cooperation in the Indo-Pacific*, The Atlantic Council, September 2021.

<sup>257</sup> Moon’s proposals – many of which appeared in previous reform plans – included decentralizing the power of the presidency, changing the single five-year presidency to a four-year term with opportunity for a second term (a provision that would have applied to Moon’s successor), granting more autonomy to local governments, and delegating more authority to the prime minister.

- **The People Power Party (PPP)** is a conservative grouping and is South Korea's second-largest party. The PPP and its predecessor parties have controlled the National Assembly for all but nine of the 33 years since the 1987 Constitution went into effect. Since 2016, however, the main conservative political grouping has been in the legislative minority, a reflection of the disarray conservatives faced following the Park Geun-hye impeachment.

## Challenges to Political and Civil Rights in South Korea

Even amidst South Korea's democratic transformation and consolidation, questions have persisted about the depth of South Korea's democracy.<sup>258</sup> South Korea's commitment to democracy can appear conditional, with one standard for political allies of whoever occupies the presidential office in the Blue House and another for opponents. In general, South Korean conservative (as right-of-center groups are generally referred to South Korea) presidents use the executive branch's dominant position to target and investigate progressive (left of center) political opponents, with the roles reversed during times of progressive rule. Often this dynamic of selective suppression centers around North Korea policy, with conservative governments attempting to silence critics of generally harder line policies toward Pyongyang, and progressive governments using its powers to do the same to critics of their pro-engagement policies.<sup>259</sup> Constitutional, legal, and political checks generally have proven insufficient to stop governments of all political stripes from selectively attempting to limit freedom of expression to contain political opposition.<sup>260</sup>

President Moon, for instance, has been criticized by domestic opponents, as well as non-Korean academics and human rights organizations, for using his powers to selectively dampen freedom of speech and expression, particularly against activities and speech that run counter to his government's pro-engagement policy toward North Korea.<sup>261</sup> Critics have been particularly vocal about the government's support for a new law, passed in December 2020, criminalizing the sending of material, such as leaflets, into North Korea that are critical of the North Korean regime without permission from the Seoul government.<sup>262</sup>

Moon was elected in 2017 in part because he seemed to be a departure from the abuses that resulted in the impeachment—and later removal from office—of Park Geun-hye (in power 2013-2017). Park's immediate predecessor, fellow conservative Lee Myung-bak (2008-2013), also was

<sup>258</sup> See, for instance, Andrew Yeo, "Has South Korean Democracy Hit a Glass Ceiling? Institutional-cultural Factors and Limits to Democratic Progress," *Asian Politics & Policy*, November 2020, Volume 12, Issue 4, pp. 539-558.

<sup>259</sup> Jung Pak, "North Korea's long shadow on South Korea's democracy," *Brookings Institution*, January 22, 2021.

<sup>260</sup> Stephan Haggard and Jong-Sung You, "Freedom of Expression in South Korea," *Journal of Contemporary Asia*, 2015, Vol. 45, No. 1, p. 167.

<sup>261</sup> See, for instance, Jung Pak, "North Korea's long shadow on South Korea's democracy," *Brookings Institution*, January 22, 2021.

<sup>262</sup> In the 117<sup>th</sup> Congress, the Tom Lantos Human Rights Commission held a hearing on South Korea that was largely prompted by the so-called leaflet law. U.S. Congress, Tom Lantos Human Rights Commission, *Civil and Political Rights in the Republic of Korea: Implications for Human Rights on the Peninsula*, 117<sup>th</sup> Cong., 1<sup>st</sup> sess., April 15, 2021. The same month, four United Nations Special Rapporteurs on human rights submitted a letter to President Moon expressing their concern that the law "may negatively impact the enjoyment of the right to freedom of expression and the legitimate activities of some civil society organisations and human right defenders in the ROK." The April 19, 2021 letter, available at <https://spcommreports.ohchr.org/TMResultsBase/DownloadPublicCommunicationFile?gId=26313>, was sent by the United Nations' Special Rapporteurs on: the situation of human rights in North Korea; the promotion and protection of the right to freedom of opinion and expression; the rights to freedom of peace assembly and of association; and the situation of right defenders.

accused of using Cold War-era laws to quash critics and hints of pro-North Korea sentiment. South Korea's rating in the World Press Freedom index maintained by the NGO Reporters Without Borders fell more than 30 places during Park's term. It since has rebounded under Moon.<sup>263</sup> Park and Lee were criticized in particular for abusing the National Security Law, promulgated in 1948, which grants authorities the power to detain, arrest, and imprison persons believed to have committed acts intended to endanger the "security of the state," including the dissemination of anything that the government classifies as North Korean "propaganda."<sup>264</sup>

Since the restoration of democracy in the 1980s, every past president and/or presidential family has been engulfed in major corruption scandals involving them and/or their families. Three of the six were jailed for corruption after leaving office. A fourth, President Moon's mentor, Roh Moo-hyun (in office 2003-2008), committed suicide amid an expanding investigation into charges that he, his family, and close associates had illegally profited from his time in office. In 2018, a year after Park Geun-hye's removal from office and criminal conviction, former president Lee was arrested and convicted for corruption during his time in office.

## Legislation in the 117<sup>th</sup> Congress

**S. 1605/P.L. 117-81, The National Defense Authorization Act for Fiscal Year 2022.** Section 1252 states that the sense of Congress is that the Secretary of Defense should "recommit to and strengthen United States defense alliances and partnerships in the Indo-Pacific region so as to further the comparative advantage of the United States in strategic competition with the People's Republic of China, including by ... reinforcing the United States alliance with the Republic of Korea and maintaining the presence 10 of approximately 28,500 members of the United States Armed Forces deployed to the country...." Section 1201 authorizes the Secretary of Defense to provide administrative support to foreign personnel assigned to the United Nations Command in South Korea. Section 2511 authorizes the Secretary of Defense to accept up to \$505 million in in-kind contributions from South Korea, in the form of construction projects at U.S. bases in South Korea, including a Black Hat Intelligence Fusion Center at Camp Humphries. S. 1605 was passed by the House on 12/7/2021 (363 – 70, Roll no. 405); it was passed by the Senate on 12/15/2021 (88 – 11, Record Vote Number 499); it was signed by the President 12/27/2021.

**H.R.826 (Meng)/S. 2688 (Hirono), The Korean War Divided Families Reunification Act.** The bill would require the Department of State to annually report to Congress on its consultations with South Korea and with Korean American representatives on potential opportunities to reunite Korean Americans with family in North Korea. H.R. 826 was introduced on 2/4/2021 and referred to the House Committee on Foreign Affairs, which reported the bill on 4/21/2021; the bill was passed by the House on 7/19/2021 (415 – 0, Roll no. 209) and referred to Senate Committee on Foreign Relations. S. 2688 was introduced on 8/10/2021 and referred to the Committee on Foreign Relations.

**H.R. 4521 (Johnson), The America COMPETES Act of 2022.** As published by the House Rules Committee on January 25, 2022,<sup>265</sup> among the measures potentially affecting U.S.-

<sup>263</sup> "Distinct Improvement after a Bad Decade," Reporters without Borders, <https://rsf.org/en/south-korea>, accessed April 2, 2021.

<sup>264</sup> "South Korea: Abolish or Fix National Security Law," *Human Rights Watch*, September 17, 2010; Jeyup S Kwaak, "U.N. Expert Criticizes South Korea on Human Rights," *Korea Real Time, The Wall Street Journal*, June 10, 2013; "South Korea: Cold War Relic Law Criminalizes Criticism," *Human Rights Watch*, May 28, 2015.

<sup>265</sup> See Rules Committee Print 117-31, [Congressional Research Service](https://rules.house.gov/sites/democrats.rules.house.gov/files/BILLS-</a></p>
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South Korea relations are: Section 30125 expresses the sense of Congress that the U.S. and its allies should lead cooperate to combat digital authoritarianism; Section 30202, which states that it is U.S. policy “to deepen diplomatic, economic, and security cooperation with and among United States allies in the Indo-Pacific,” including South Korea; and section 30303, which states that it is U.S. policy to coordinate with South Korea and other U.S. allies to promote democracy and human rights in Hong Kong. H.R. 4521 was introduced July 19, 2021 and was passed by the House, with numerous amendments, on February 4, 2022 (222 - 210 (Roll no. 31)).

**H.R. 1504 (Levin), The Enhancing North Korea Humanitarian Assistance Act.** The bill would require the Treasury Department to modify North Korea sanctions regulations to facilitate humanitarian aid projects that currently are exempted from sanctions. The bill would also expand the coverage of the humanitarian aid exemption. The bill would require the State Department to brief Congress on plans to expand exceptions to the current restrictions on U.S. citizens’ travel to North Korea. H.R. 1504 was introduced on 3/02/2021 and referred to the House Committee on Foreign Affairs and the House Committee on Financial Services.

**H.R. 1743 (Green)/ S. 677 (Lee), The Allied Burden Sharing Report Act of 2021.** The bill would require the Defense Department to report on (1) the defense spending and military activities of South Korea and other countries with cooperative defense agreements with the United States, (2) whether these countries place limits on the use of funds contributed to the common defense, and (3) any U.S. actions to minimize such limitations. H.R. 1743 was introduced on 3/10/2021 and referred to the House Committee on Foreign Affairs. S.677 was introduced on 3/10/2021 and referred to the Senate Committee on Foreign Relations.

**H.R. 3373 (Bera)/S. 1774 (Schatz), The Honoring OCEANIA Act.** The bill states that it is U.S. policy to work with South Korea and other countries “to advance shared alliance goals of the Oceania region concerning health, environmental protection, disaster resilience and preparedness, illegal, unreported, and unregulated fishing (commonly referred to as “IUU fishing”), maritime security, and economic development.” The bill would require the State Department to submit materials to Congress on U.S. cooperation with South Korea and other allies on promoting various goals in Oceania. H.R. 3373 was introduced on 5/20/2021 and referred to the following House committees and subcommittees: Foreign Affairs; Natural Resources; Armed Services; Financial Services; Homeland Security; the Judiciary Subcommittee on Immigration and Citizenship; the Transportation and Infrastructure Subcommittee on Coast Guard and Maritime Transportation; and the Veterans' Affairs Subcommittee on Health. S. 1774 was introduced on 5/20/2021 and referred to the Senate Committee on Foreign Relations.

**H.R. 3382 (Connolly)/S. 1861 (Blunt), The Partner with Korea Act.** The bill would create an E-4 nonimmigrant visa category for up to 15,000 South Korean nationals each fiscal year who are coming to the United States solely to perform specialty occupation services, subject to various requirements. H.R. 3382 was introduced on 5/20/2021 and referred to the House Judiciary Subcommittee on Immigration and Citizenship. S. 1861 was introduced on 5/26/2021 and referred to the Senate Committee on the Judiciary.

**H.R. 3446 (Sherman), The Peace on the Korean Peninsula Act.** The bill states that it is the sense of Congress that the State Department should (a) “pursue serious, urgent diplomatic engagement with North Korea and South Korea” to reach “a binding peace agreement constituting a formal and final end to the state of war” on the Korean Peninsula and (b)

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117HR4521RH-RCP117-31.pdf. The House-passed version, incorporating amendments, has not been published as of the date of this report.

attempt to enter negotiations to exchange diplomatic liaison offices with North Korea. The bill would require the State Department to report to Congress on its roadmap for achieving a permanent peace on the Peninsula. The bill states that it is the sense of Congress that the State Department should review restrictions barring United States nationals traveling to the Democratic People's Republic of Korea (DPRK) and report to Congress on the results of the review. H.R. 3446 was introduced on 5/20/2021 and referred to the House Committee on Foreign Affairs.

**H.R. 3524 (Meeks), The Ensuring American Global Leadership and Engagement (EAGLE) Act.** The bill aims to “revitalize and reassert United States leadership, investment, and engagement in the Indo-Pacific region and globally.” It contains a number of “sense of Congress” and “statements of U.S. policy” provisions supporting U.S.-ROK relations, promoting U.S.-ROK cooperation in “advancing a free and open order in the Indo-Pacific region,” and promoting U.S.-ROK cooperation on human rights generally and human rights in Hong Kong specifically. H.R. 3524 was introduced on 5/25/2021 and referred to the Committees on Foreign Affairs, Financial Services, Ways and Means, the Judiciary, and Intelligence; the bill was ordered to be reported by the House Committee on Foreign Affairs on 7/15/2021.

**H.R. 4276 (Malinowski), The Hong Kong People's Freedom and Choice Act of 2021.** The bill includes a statement that it is U.S. policy to coordinate with allies, including South Korea, to promote democracy and human rights in Hong Kong. H.R. 4276 was introduced on June 30, 2021 and referred to the House Committee on the Judiciary and the House Committee on Foreign Affairs.

**H.Res. 294 (Bass), Encouraging reunions of divided Korean-American families.** The bill calls on the United States and North Korea to begin the process of reuniting Korean Americans with their immediate relatives in North Korea. H.Res. 494 was introduced on 04/08/2021 and referred to the House Committee on Foreign Affairs; the bill passed the House under suspension of the rules on 7/20/2021.

**H.Res. 416 (Meeks)/ S.Res. 213 (Menendez), Recognizing the importance of the United States-Republic of Korea relationship to safeguarding peace, security, and prosperity on the Korean Peninsula, in the Indo-Pacific region, and beyond, and welcoming the visit of President Moon Jae-in to the United States.** H.Res 416 was introduced in the House on 5/19/2021 and referred to House Committee on Foreign Affairs. S.Res. 213 was introduced on 5/13/2021 and referred to the Senate Committee on Foreign Relations.

**S. 1201 (Menendez), The United States Climate Leadership in International Mitigation, Adaptation, and Technology Enhancement Act of 2021.** The bill would require the State Department to develop “a China-focused agenda” in a number of areas at the Group of 7, in coordination with South Korea and Australia. S. 1201 was introduced on 4/19/2021 and referred to the Senate Committee on Foreign Relations and the Senate Committee on Homeland Security and Governmental Affairs, where it was ordered to be reported favorably on 12/15/2021.

**S. 1657 (Rubio), The South China Sea and East China Sea Sanctions Act of 2021.** The bill would authorize the President to sanction Chinese persons and entities that “significantly threaten the peace, security, or stability” of, among other areas, those parts of the East China Sea administered by Republic of Korea, and annually report to Congress on countries that recognize the People's Republic of China's (PRC) sovereignty over these areas. The bill would state that it is the sense of Congress that the Government Publishing Office not publish any materials portraying various territories and airspace, including those administered by

South Korea, are part of the People’s Republic of China’s territory or airspace. S. 1657 was introduced on 5/17/2021 and reported by the Senate Committee on Foreign Relations on 10/28/2021.

**S. 1260 (Schumer), The United States Innovation and Competition Act of 2021.** The bill states that the sense of Congress is that the United States and South Korea, among other countries, are “critical allies” in advancing a free and open Indo-Pacific region. The bill states that it is U.S. policy to defend South Korea and to deepen diplomatic, economic, security cooperation, and human rights cooperation between and among U.S. allies in the Indo-Pacific region. The bill would encourage the executive branch to cooperate with South Korea and other allies in multiple areas, including the development of secure supply chains for mobile telecommunications technologies, the prevention of stolen intellectual property from entering the United States, South Korea, and other U.S. allies. S. 1260 was introduced on April 20, 2021 and passed by the Senate on 6/8/2021 (68-32, Record Vote Number: 226).

**S.Res. 122 (Risch), Reaffirming the importance of United States alliances and partnerships.** The resolution reaffirms support for “equitable and mutually beneficial burden-sharing arrangements,” “acknowledges” the 2021 special measures agreements (SMA) reached with South Korea and Japan, and “urges” consultations with these two countries to consider additional allied contributions beyond the traditional SMA categories. S.Res. 122 was introduced on 3/18/2021 and referred to the Senate Committee on Foreign Relations, which reported the resolution 3/24/2021.

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