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U.S.-South Korea Relations

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February 12, 2014

Congressional Research Service

7-5700

www.crs.gov

R41481

Summary

Overview

South Korea is one of the United States' most important strategic and economic partners in Asia, and for the past five years relations between the two countries (known officially as the Republic of Korea, or ROK) have been arguably at their best state in decades. Members of Congress tend to be interested South Korea-related issues for a number of reasons. First, the United States and South Korea have been allies since the early 1950s. The United States is committed to helping South Korea defend itself, particularly against any aggression from North Korea. The United States maintains about 28,500 troops in the ROK and South Korea is included under the U.S. "nuclear umbrella." Second, Washington and Seoul cooperate over how to deal with the challenges posed by North Korea. Third, South Korea's emergence as a global player on a number of issues has provided greater opportunities for the two countries' governments, businesses, and private organizations to interact and cooperate with one another.

Fourth, the two countries' economies are closely entwined and are joined by the Korea-U.S. Free Trade Agreement (KORUS FTA). South Korea is the United States' sixth-largest trading partner. The United States is South Korea's second-largest trading partner. In late 2013 and early 2014, South Korea took the first steps toward possible entry into the U.S.-led Trans-Pacific Partnership (TPP) free trade agreement negotiations.

Strategic Cooperation and the U.S.-ROK Alliance

Dealing with North Korea is the dominant strategic element of the U.S.-South Korean relationship. Under South Korean President Park Geun-hye, who was inaugurated in February 2013, Seoul and Washington have maintained tight coordination over North Korea policy, forging in effect a joint approach that contains elements of pressure and engagement. For much of 2013, the two countries emphasized the former in the face of a series of provocative actions by North Korea. The Obama Administration has supported Park's "trustpolitik" approach, under which Seoul has proposed some modest confidence-building measures with and humanitarian assistance to Pyongyang in order to build trust between the two sides. Thus far, Park has linked large-scale aid to progress in the denuclearization of North Korea, the United States' top priority. An issue for the Obama Administration and Congress is to what extent they will support—or, not oppose—Park's possible inter-Korean initiatives if they expand further.

Since 2009, the United States and South Korea have accelerated steps to reform the U.S.-ROK alliance. Washington and Seoul have initiated plans to relocate U.S. troops on the Peninsula and boost ROK defense capabilities. Some Members of Congress have criticized the relocation, and Park and her predecessor have slowed significantly the planned defense budget increases. Provocations from North Korea have propelled more integrated bilateral planning for responding to possible contingencies, for instance by adopting policies to respond more swiftly and forcefully to attacks and by discussing improvements to the two countries' respective missile defense systems. In January 2014, the United States and South Korea came to a new five-year Special Measures Agreement (SMA), under which Seoul will raise its host nation support payments for U.S. forces in Korea by 6%, to around \$870 million per year.

On broad strategic matters in East Asia, while South Korean and U.S. perspectives overlap, there are areas of significant differences. For instance, South Korea often hesitates to take steps that antagonize China and has shown mistrust of Japan's efforts to expand its military capabilities.

Nuclear Cooperation Agreement

In 2013 the Obama and Park governments agreed to—and in January 2014 Congress voted to support—a two-year extension of a bilateral civilian nuclear agreement, which now will expire in 2016. The two-year extension is considered a temporary solution to avoid any disruption to nuclear energy trade and provide more time for negotiations to continue. South Korea reportedly has requested that the new agreement include provisions that would allow for future uranium enrichment and reprocessing in South Korea. The Obama Administration has resisted this change, which would pose challenges for U.S. non-proliferation policy.

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Developments in Late 2013/Early 2014

Since late 2008, relations between the United States and South Korea (known officially as the Republic of Korea, or ROK) arguably have been at their best state since the formation of the U.S.-ROK alliance in 1953. Under South Korean President Park Geun-hye, who was inaugurated in February 2013, Seoul and Washington have continued the tight policy coordination over North Korea that existed between the Obama Administration and Park's predecessor, Lee Myung-bak. Lee and Park both spoke before joint sessions of Congress, in October 2011 and May 2013, respectively. Although the overall U.S.-South Korean relationship is expected to remain healthy under Park, she has hinted at policy moves that could test bilateral ties, particularly with respect to North Korea and the renewal of a U.S.-ROK civilian nuclear cooperation agreement.

South Korea at a Glance

Head of State: President Park Geun-hye (elected December 2012; limited to one five-year term)
Ruling Party: *Saenuri* (New Frontier) Party (NFP)
Largest Opposition Party: Democratic Party (DP)

Size: slightly larger than Indiana
Arable Land: 16.6%

Population: 49 million (July 2013 est.) (North Korea = 24.7 million)
Ethnicity: homogenous (except for about 20,000 Chinese)
Life Expectancy: 79.6 years (U.S. = 78.49 yrs.; North Korea = 69.2 yrs.)

Infant Mortality: 4.01 deaths/1,000 live births (U.S. = 6.00)
Fertility Rate: 1.24 children born/woman (U.S. = 2.06)
Literacy Rate: 98%

Nominal GDP: \$1.6 trillion (2012 est.); world's 13th largest economy (U.S. = \$15.7 trillion; North Korea = \$40 billion)
GDP Per Capita (Purchasing Power Parity): \$32,400 (2012 est.) (U.S. = \$49,800; North Korea = \$1,800)
Exports: \$548.2 billion (2012 est.)
Imports: 520.5 billion (2012 est.)

Source: CIA, *The World Factbook*.

Cooperation over North Korea Policy¹

Dealing with North Korea is the dominant strategic element of the U.S.-South Korean relationship. Park has said that her preferred policy toward North Korea “entail[s] assuming a tough line against North Korea sometimes and a flexible policy open to negotiations other times.” Some of the cooperative elements of Park’s approach toward North Korea could conflict with U.S. policy, due to an inherent tension that exists in the two countries’ views of Pyongyang: the United States’ predominant concern is North Korea’s weapons of mass destruction (WMD) programs, but the nuclear and long-range missile issues often competes with other issues, like

¹ For more on North Korea issues, see CRS Report R41259, *North Korea: U.S. Relations, Nuclear Diplomacy, and Internal Situation*, by Emma Chanlett-Avery and Ian E. Rinehart; and CRS Report RL34256, *North Korea’s Nuclear Weapons: Technical Issues*, by Mary Beth D. Nikitin.

promoting unification, for the top slot on South Korea's list of priorities. Because inter-Korean relations have been so poor since 2008, such potential contradictions between U.S. and South Korean interests have not been exposed.

Indeed, since Park's inauguration, the two allies have continued the close cooperation on North Korea policy that was a hallmark of the relationship under Park's predecessor, Lee Myung-bak (2008-2013). Both Seoul and Washington have emphasized deterrence in the face of a series of actions by North Korea, including Pyongyang's February 2013 nuclear test (its third since 2006), evidence of further progress in North Korea's missile capabilities, and Pyongyang's unusually bellicose rhetoric threatening South Korea. Park has pledged to retaliate militarily if North Korea attacks, as it did in 2010, and in 2013 Seoul and Washington ironed out a counter-provocation plan.² With U.S. support, Park also refused to abide by North Korea's terms for restarting the inter-Korean Kaesong Industrial Complex (KIC), which ceased operation in early April 2013 after Pyongyang withdrew the 50,000-plus North Korean workers employed at the complex. North Korea eventually relented, allowing the KIC to re-open in September 2013 and agreeing to some of South Korea's longstanding requests, such as allowing access to the Internet and adopting an electronic system to ease South Koreans' entry into and out of the complex. Furthermore, Park repeatedly has identified North Korea's refusal to dismantle its nuclear weapons program as a threat to South Korea and has linked large-scale aid to progress in the denuclearization process.

The experience of this close coordination in 2013 appears to have deepened the reservoir of trust between the two governments, to the point that the Obama Administration appears comfortable with letting Park take the lead in trying to encourage more cooperative behavior from Pyongyang. She has called for creating a new era of peace on the Korean Peninsula and has proposed some modest confidence-building measures with Pyongyang designed to build trust between the two sides. Most notably, as part of her "trustpolitik," her government has delinked humanitarian assistance from other diplomatic developments, and has offered small-scale bilateral assistance and allowed South Korean non-governmental groups to operate in North Korea. During periods when North Korea has moderated its behavior and reached out to South Korea, Park's government has tried to restart the program of temporary reunions for families separated since the Korean War ended in 1953.

An issue for the Obama Administration and Congress is to what extent they will support—or, not oppose—Park's possible inter-Korean initiatives. For instance, Park has indicated a desire to someday internationalize and expand the KIC, which several Members of Congress have opposed. These moves could clash with legislative efforts in Congress to expand U.S. sanctions against North Korea, such as H.R. 1771, the North Korea Sanctions Enforcement Act. Thus far, Administration officials have expressed support for Park's trustpolitik approach. (For more on cooperation over North Korea, see the "North Korea in U.S.-ROK relations" section.)

² In March 2010, a South Korean naval vessel sank in the Yellow Sea. Over 40 ROK sailors died. A multinational investigation led by South Korea determined that the vessel was sunk by a North Korean submarine. In November of the same year, Yeonpyeong Island was attacked by North Korean artillery, which killed four South Koreans (two Marines and two civilians) and wounded dozens.

Nuclear Energy Cooperation Agreement

In April 2013, the United States and South Korea announced that they had agreed to a two-year extension of the existing bilateral civilian nuclear cooperation agreement, also known as a 123 agreement, which was due to expire in March 2014.³ In January 2014, Congress passed S. 1901, which authorized the extension. For years, talks between South Korea and the United States were not able to resolve disagreement over how to treat fuel-making technologies in a renewed accord, and therefore the two countries decided to allow for more negotiating time. The two-year extension is considered a temporary solution to avoid any disruption to nuclear trade. A lapse could have affected exports of U.S. nuclear materials and reactor components to Korea, and could potentially affect ongoing construction of South Korean reactors in the United Arab Emirates, for which U.S. companies are providing components and services.

One point of disagreement in the renewal process is whether South Korea will press the United States to include a provision that would allow for the reprocessing of its spent fuel. The South Korean government is reportedly also seeking confirmation in the renewal agreement of its right to enrichment technology. The current U.S.-Korea nuclear cooperation agreement, as with other standard agreements,⁴ requires U.S. permission before South Korea can reprocess U.S.-origin spent fuel, including spent fuel from South Korea's U.S.-designed reactors.⁵ The issue has become a sensitive one for many South Korean officials and politicians, who see it as a matter of national sovereignty. The United States has been reluctant to grant such permission due to concerns over the impact on negotiations with North Korea and on the nonproliferation regime overall. Through reprocessing, spent fuel can be used to make reactor fuel or to acquire plutonium for weapons. For many years, the United States and South Korea have worked on joint research and development projects to address spent fuel disposition, including joint research on pyro-processing, a type of spent fuel reprocessing. In October 2010, the two countries began a 10-year, three-part joint research project on pyro-processing that includes joint research and development at Idaho National Laboratory, development of international safeguards for this technology, economic viability studies, and other advanced nuclear research including alternatives to pyro-processing for spent fuel disposal.⁶ (For more on the negotiations and the debate over U.S.-ROK civilian nuclear cooperation, see the "Nuclear Energy and Non-Proliferation Cooperation" section below.)

South Korea Expresses Interest in TPP

In the fall of 2013, after months of speculation, the South Korean government signaled its "interest" in joining the twelve-nation Trans-Pacific Partnership (TPP) free trade agreement

³ "123" refers to section 123 of the Atomic Energy Act (as amended). Full text of the agreement is available at http://nnsa.energy.gov/sites/default/files/nnsa/inlinefiles/Korea_South_123.pdf.

⁴ CRS Report RS22937, *Nuclear Cooperation with Other Countries: A Primer*, by Paul K. Kerr and Mary Beth D. Nikitin.

⁵ Under the 1978 Nuclear Nonproliferation Act, consent rights apply to material originating in the U.S. or material that has been fabricated into fuel or irradiated in a reactor with U.S. technology. The majority of South Korea's spent fuel would need U.S. consent before it could be reprocessed.

⁶ "Discussions on Korea-U.S. Joint Research on Fuel Cycle," Press Release, Ministry of Education, Science and Technology, Republic of Korea, April 18, 2011; "S. Korea, U.S. Agree to Start Joint Study on Nuclear Fuel Reprocessing," *Yonhap*, April 17, 2011.

talks.⁷ The economic size and strategic importance of TPP would expand significantly if South Korea—East Asia’s third largest economy—enters the negotiations. One of Park’s top policy agendas is reviving the country’s economy. To this end, her government has initiated a trade strategy of entering into more FTAs, thereby making South Korea into a “linchpin” of accelerated economic integration.⁸ South Korea is negotiating a number of FTAs, including bilateral ones with China, Canada, and Australia, as well as a trilateral agreement with China and Japan. The Obama Administration has “welcomed” Korea’s interest in joining the talks, though United States Trade Representative (USTR) officials also have indicated they will place priority on concluding an agreement with the existing members before agreeing to the entry of any new countries. Obama Administration officials also have said that their consultations over South Korea joining the TPP will include discussions over U.S. concerns that Seoul has not adequately implemented parts of the 2011 South Korea-US Free Trade Agreement (KORUS FTA). Specifically, USTR officials reportedly have identified as problematic South Korea’s imposition of a new automobile emissions tax, maintenance of barriers to cross-border transfers of financial data, and creation of new measures to verify the country of origin for imports such as orange juice and automobiles.⁹

The current 12 TPP countries must reach unanimous agreement on South Korea’s entry before Seoul can join, and in December 2013 Korea began holding preliminary consultations with TPP members. The next formal step for South Korea to enter the TPP would be for the South Korean government to formally announce that it is seeking to participate. Following this move, if Seoul reaches agreements with the 12 members over the terms of its entry, they would officially invite South Korea to join and also initiate their domestic notification procedures. In the case of the United States, this latter would involve notifying Congress of an intention to enter into FTA negotiations with South Korea after a period of 90 days.

Ultimately, Congress must approve implementing legislation if a completed TPP agreement—with or without South Korea—is to apply to the United States. Additionally, during the TPP negotiating process, Congress has a formal and informal role in influencing U.S. negotiating positions, including through the process of granting new trade promotion authority (TPA) to the President. TPA, which expired in 2007, is the authority that Congress gives to the President to negotiate trade agreements that would receive expedited legislative consideration. In January 2014, legislation to renew TPA was introduced in the House (H.R. 3830) and in the Senate (S. 1900).¹⁰ (For more on U.S.-South Korean economic relations, see the “Economic Relations” section.)

⁷ The TPP negotiating parties are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. For more on the TPP, see CRS Report R42694, *The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress*, coordinated by Ian F. Fergusson.

⁸ Ministry of Trade, Industry and Energy Press Release 436, “Korea Outlines New Trade Policy Direction,” June 25, 2013.

⁹ USTR, “Statement by U.S. Trade Representative Michael Froman on Korea’s Announcement Regarding the Trans-Pacific Partnership,” November 29, 2013; World Trade Online, “U.S. Will Press Seoul on Origin Checks, Data Transfers, Auto NTBs: Cutler,” December 12, 2013.

¹⁰ For more on TPA, see CRS Report RL33743, *Trade Promotion Authority (TPA) and the Role of Congress in Trade Policy*, by William H. Cooper

State of the Alliance

Since 2009, the two sides have accelerated steps to transform the U.S.-ROK alliance, broadening it from its primary purpose of defending against a North Korean attack to a regional and even global partnership. Joint statements issued from a series of high-level meetings emphasized the commitment to modernize and expand the alliance while reaffirming the maintenance of current U.S. troop levels on the peninsula and the U.S. security guarantee to protect South Korea. Spurred by violent attacks from North Korea in 2010, the alliance partners agreed on a “Counter-Provocation Plan” and then sharpened the agreement by developing a “Tailored Deterrence Strategy against North Korean Nuclear and Other WMD Threats.” A high-level joint statement in October 2013 committed both sides to improving their missile defense systems.

Despite these indicators of strength, the alliance faces a host of significant challenges in the months and years ahead. The political atmospherics of the alliance have been positive, but the conservative Park and Lee governments have slowed significantly the defense budget increases planned under the earlier, progressive Roh Moo-hyun Administration (2003-2008). The two countries also must make decisions about the realignment of U.S. forces within Korea, a process that Congress has followed closely because of concerns about the cost. A 2007 agreement to transfer wartime operational control (Opcon) from U.S. to ROK forces by 2015 has resurfaced as a point of controversy. Reportedly, the South Korean defense establishment wants to delay the Opcon transfer to a later year, when the ROK military is better prepared to handle the command responsibilities in the event of war with North Korea.¹¹ In addition, the planned realignment of all U.S. forces from bases near the de-militarized zone (DMZ) border with North Korea to bases farther south is under review. The commander of U.S. Forces Korea (USFK) has indicated that some “residual” staff may continue to fulfill the so-called “tripwire” function of U.S. forces stationed near the DMZ.¹²

In January 2014, the two sides agreed to terms for the next five-year Special Measures Agreement (SMA), under which South Korea offsets some of the costs of stationing U.S. forces in Korea. Under the new agreement, which is subject to approval by the Korean National Assembly, Seoul will raise its contribution by 6% to \$867 million in 2014 and then increase its annual payments at the rate of inflation. The new SMA also makes U.S. use of South Korean funds more transparent than in the past, in response to South Korean criticism, though opposition lawmakers are not wholly satisfied with the new arrangement. (For more on alliance issues, including congressional actions, see the “Security Relations and the U.S.-ROK Alliance” section.)

Background on U.S.-South Korea Relations

Overview

While the U.S.-South Korea relationship is highly complex and multifaceted, five factors arguably drive the scope and state of relations between the two allies:

¹¹ Craig Whitlock, “Handover of U.S. Command of South Korean Troops Still Under Debate,” *Washington Post*, September 29, 2013.

¹² Ser Myo-ja, “USFK May Keep Tripwire Function,” *Korea JoongAng Daily*, November 26, 2013.

- the challenges posed by North Korea, particularly its weapons of mass destruction programs and perceptions in Washington and Seoul of whether the Kim Jong-un regime poses a threat, through its belligerence and/or the risk of its collapse;
- the growing desire of South Korean leaders to use the country's middle power status to play a larger regional and, more recently, global role;
- China's rising influence in Northeast Asia, which has become an increasingly integral consideration in many aspects of U.S.-South Korea strategic and economic policymaking;
- South Korea's transformation into one of the world's leading economies—with a strong export-oriented industrial base—which has led to an expansion of trade disputes and helped drive the two countries' decision to sign a free trade agreement; and
- South Korea's continued democratization, which has raised the importance of public opinion in Seoul's foreign policy.

Additionally, while people-to-people ties generally do not directly affect matters of “high” politics in bilateral relations, the presence of over 1.2 million Korean-Americans and the hundreds of thousands of trips taken annually between the two countries has helped cement the two countries together.

Members of Congress tend to be interested in South Korea-related issues because of bilateral cooperation over North Korea, a desire to oversee the management of the U.S.-South Korea alliance, South Korea's growing importance on various global issues, deep bilateral economic ties, and the interests of many Korean-Americans. The 112th Congress held over 15 hearings directly related to South and North Korea.

Large majorities of South Koreans say they value the U.S.-ROK alliance and have positive opinions of the United States. However, many South Koreans are resentful of U.S. influence and chafe when they feel their leaders offer too many concessions to the United States. South Koreans also tend to be wary of being drawn into U.S. policies that antagonize China. Although many of these concerns are widely held in South Korea, they are particularly articulated by Korea's progressive groups, who have opposed much of Park and Lee's policy agenda and their governing styles.

Historical Background

The United States and South Korea have been allies since the United States intervened on the Korean Peninsula in 1950 and fought to repel a North Korean takeover of South Korea. Over 33,000 U.S. troops were killed and over 100,000 were wounded during the three-year conflict. 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. The United States maintains about 28,500 troops in the ROK to supplement the 650,000-strong South Korean armed forces. South Korea deployed troops to support the U.S.-led military campaign in Vietnam. South Korea subsequently has assisted U.S. deployments in other conflicts, most recently by deploying over 3,000 troops to play a non-combat role in Iraq and over 300 non-combat troops to Afghanistan.

Beginning in the 1960s, rapid economic growth propelled South Korea into the ranks of the world's largest industrialized countries. For nearly 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.

North Korea in U.S.-ROK relations

North Korea Policy Coordination

Dealing with North Korea is the dominant strategic element of the U.S.-South Korean relationship. South Korea's growing economic, diplomatic, and military power has given Seoul a much more direct and prominent role in Washington's planning and thinking about how to deal with Pyongyang. One indicator of South Korea's centrality to diplomacy over North Korea is that no successful round of the Six-Party nuclear talks has taken place when inter-Korean relations have been poor.

The Joint "Strategic Patience" Approach

Since 2009, U.S.-South Korean collaboration over North Korea has been extremely close, after several years in which the two countries frequently had competing visions of how to handle North Korea. In effect, Washington and Seoul have adopted a joint approach toward North Korea, one that largely has continued during Park's tenure. In essence, the approach—which is often called “strategic patience”—has four main components:

- keeping the door open to Six-Party Talks over North Korea's nuclear program but refusing to re-start them without a North Korean assurance that it would take “irreversible steps” to denuclearize;¹³

¹³ The Six-Party talks were held among China, Japan, North Korea, Russia, South Korea, and the United States between 2003 and 2008.

- 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 military exercises.

Strategic patience could be described as a passive-aggressive approach that effectively is a policy of containing North Korea's proliferation activities, rather than rolling back its nuclear program. One drawback is that it has allowed Pyongyang to control the day-to-day situation. While Washington and Seoul wait to react to Pyongyang's moves, the criticism runs, North Korea has continued to develop its uranium enrichment program, has often appeared to solidify support from China, and has embarked on a propaganda offensive designed to shape the eventual negotiating agenda to its benefit. Many of Park's proposed initiatives with North Korea appear designed to rectify these perceived shortcomings. To date, however, North Korea's actions since her inauguration have not provided her government with an opportunity to apply her policies.

The joint U.S.-ROK approach has involved elements of both engagement and pressure. Washington and Seoul have tended to reach out to North Korea during relatively quiescent periods. In contrast, they have tended to emphasize pressure tactics during times of increased tension with North Korea. These periods occurred repeatedly after Lee Myung-bak's inauguration in February 2008. Most notably, they included North Korean nuclear tests in May 2009 and February 2013; North Korean long-range rocket launches in April 2009, April 2012, and December 2012; the March 2010 sinking of a South Korean naval vessel, the *Cheonan*; and the November 2010 North Korean artillery attack on the South Korean island of Yeonpyeong-do.¹⁴ The latter incident was North Korea's first direct artillery attack on ROK territory since the 1950-1953 Korean War and served to harden South Korean attitudes toward North Korea. President Lee reportedly stated that he wanted to order a retaliatory air strike, but the existing rules of engagement—which he subsequently relaxed—and the existence of the U.S.-ROK military alliance restrained him.¹⁵ Park Geun-hye has implied that South Korea's military response, which primarily consisted of launching about 80 shells at North Korea and holding large-scale exercises with the United States, was insufficient.

Inter-Korean Relations and Park Geun-Hye's "Trustpolitik"

Park's statements on North Korea policy include elements of both conciliation and firmness, and she has written that her approach would "entail assuming a tough line against North Korea sometimes and a flexible policy open to negotiations other times."¹⁶ On the one hand, Park has

¹⁴ On Yeonpyeong-do, over 150 shells fired by North Korea killed four South Koreans (two Marines and two civilians), wounded dozens, and destroyed or damaged scores of homes and other buildings. All 46 South Korean sailors on the *Cheonan* died. A multinational team that investigated the sinking, led by South Korea, determined that the ship was sunk by a North Korean submarine. The cause of the *Cheonan*'s sinking has become highly controversial in South Korea. While most conservatives believe that North Korea was responsible for explosion, many who lean to the left have criticized the investigation team as biased or argue that its methodology was flawed.

¹⁵ "Lee Recalls Getting Tough with N.Korea," *Chosun Ilbo*, February 5, 2013.

¹⁶ Park Geun-hye, "A New Kind of Korea: Building Trust Between Seoul and Pyongyang," *Foreign Affairs*, September/October 2011.

called for creating a “new era” on the Korean Peninsula by building trust between North and South Korea. To build trust, Park has indicated a desire to eventually:

- resume North-South Korean dialogue and give “new momentum” to the Six-Party talks over North Korea’s nuclear program;¹⁷
- delink humanitarian assistance from overall diplomatic developments and make such assistance more transparent than in the past;
- ease or end the restrictions on South Korean commercial ties to North Korea that the South Korean government imposed after the April 2010 sinking of the South Korean naval vessel, the *Cheonan*;
- restore cooperation with North Korea for South Koreans to participate in tours of Mt. Kumgang and Kaesong city inside North Korea;
- internationalize and expand the Kaesong Industrial Complex, an industrial park inside North Korea where over 100 South Korean companies employ over 40,000 North Koreans;
- uphold the promises former President Roh Moo-hyun made in an October 2007 summit with former North Korean leader Kim Jong-il to provide large-scale economic assistance and fund reconstruction projects;
- explore the building of a transportation and energy network running through North Korea to connect South Korea with China, Russia and the rest of Eurasia; and
- meet with North Korean leader Kim Jong-un “if it helps to foster South-North relations.”¹⁸

These policies are generally consistent with Park’s actions and words for over a decade; for instance, in 2002 she visited Pyongyang and met with Kim Jong-il. As of early 2014, she has delinked humanitarian assistance from other diplomatic developments, and has offered small-scale bilateral assistance and allowed South Korean non-governmental groups to operate in North Korea. The Obama Administration has indicated its support for Park’s trustpolitik.¹⁹

On the other hand, Park also has long stated that a nuclear North Korea “can never be accepted” and that building trust with Pyongyang will be impossible if it cannot keep the agreements made with South Korea and the international community. Park has also said that South Korea will “no longer tolerate” North Korean military attacks, that they will be met with an “immediate” South Korean response, and that the need for South Korea to punish North Korean military aggression “must be enforced more vigorously than in the past.”²⁰ After North Korea’s successful December

¹⁷ The Six Party Talks, which were last held in late 2008, involved China, Japan, North Korea, Russia, South Korea, and the United States.

¹⁸ Park Geun-hye, “Trustpolitik and the Making of a New Korea,” November 15, 2012. During February 2013 testimony before the National Assembly, Foreign Minister Yun Byung-se reportedly said that “it’s too early” to send an emissary to North Korea to work on improving bilateral ties. “ROK FM Nominee Says DPRK’s Nuclear Capacity ‘At Top Level,’” *Yonhap*, February 28, 2013.

¹⁹ State Department, “Joint Statement Adopted at the United States-Republic of Korea Foreign Ministers’ Meeting,” April 13, 2013.

²⁰ Park Geun-hye, “A New Kind of Korea,” *Foreign Affairs*, September/October 2011.

2012 launch of a satellite (using long-range missile technology), February 2013 nuclear test, partial closure of the inter-Korean industrial park near the city of Kaesong, and bellicose rhetoric, Park emphasized the strength of the ROK-US deterrence posture. Meanwhile, the United States demonstrated its commitment to defend South Korea with unusually well-publicized practice sorties by B-52 bombers, B-2 bombers, and F-22 fighters, among other measures.

It is not clear how the Park government will resolve the seeming contradiction between the impulses of toughness and flexibility. A key question will be the extent to which her government will continue to link progress on denuclearization—the United States’ top concern—to other elements of South Korea’s approach toward North Korea. Likewise, an issue for the Obama Administration and Members of Congress is to what extent they will support—or, not oppose—any initiatives by Park to expand inter-Korean relations.

Deterrence Issues

One factor that may influence U.S.-ROK cooperation on North Korea is Pyongyang’s apparent progress in its missile and nuclear programs. North Korea’s February 2013 nuclear test, for instance, triggered calls in South Korea for the United States to redeploy tactical nuclear weapons in the ROK and for South Korea to develop its own nuclear weapons deterrent. To reassure South Korea and Japan after North Korea’s test, President Obama personally reaffirmed the U.S. security guarantee of both countries, including extended deterrence under the United States’ so-called “nuclear umbrella.” In early March 2013, Park stated that “provocations by the North will be met by stronger counter-responses,” and the chief operations officer at South Korea’s Office of the Joint Chiefs of Staff was widely quoted as saying that if South Korea is attacked, it will “forcefully and decisively strike not only the origin of provocation and its supporting forces but also its command leadership.”²¹ South Korean defense officials later clarified that “command leadership” referred to mid-level military commanders who direct violent attacks and not North Korean political leaders such as Kim Jong-un.

Since North Korea’s 2010 shelling of Yeonpyeong Island, South Korean leaders have shown a greater willingness to countenance the use of force against North Korea. The Lee government pushed the alliance to develop a new “proactive deterrence” approach that calls for a more flexible posture to respond to future attacks, as opposed to the “total war” scenario that drove much of USFK defense planning in the past. For instance, Lee pushed the United States to relax restrictions on South Korean ballistic missiles (see the “U.S. Alliance and ROK Defense Reform Plans” section below) and relaxed the rules of engagement to allow frontline commanders greater freedom to respond to a North Korean attack without first asking permission from the military chain of command.²² Such changes have made some analysts and planners more concerned about the possibility that a small-scale North Korean provocation could escalate. U.S. defense officials insist that the exceedingly close day-to-day coordination in the alliance ensures that U.S.-ROK communication would be strong in the event of a new contingency. The 2013 “Counter-Provocation Plan” was developed to adapt both to the new threats envisioned from North Korea and to the South Korean government’s new attitudes about retaliation.

²¹ Blue House, “Park Geun-hye 2013 March 1st Speech,” March 1, 2013; Choe Sang-Hun, “South Korea Pushes Back on North’s Threats,” *NYTimes.com*, March 6, 2013.

²² “Lee Recalls Getting Tough with N.Korea,” *Chosun Ilbo*, February 5, 2013.

Security Relations and the U.S.-ROK Alliance

The United States and South Korea are allies under the 1953 Mutual Defense Treaty. Under the agreement, U.S. military personnel have maintained a continuous presence on the Korean Peninsula and are committed to help South Korea defend itself, particularly against any aggression from the North. The United States maintains about 28,500 troops in the ROK. South Korea is included under the U.S. “nuclear umbrella,” also known as “extended deterrence,” which applies to other non-nuclear U.S. allies as well. A bilateral understanding between Washington and Seoul gives U.S. forces the “strategic flexibility” to respond to contingencies outside the peninsula, but under the condition that South Korea would have to consent to their deployment in an East Asian conflict. In the past, issues surrounding U.S. troop deployments have been a flashpoint for public disapproval of the military alliance, led by progressive political groups, but in recent years public support for the alliance has become broader and more resilient to incidents involving U.S. bases and soldiers in South Korea.

Despite the strengths of the alliance, tensions periodically arise in the partnership. Some of these involve typical alliance conflicts over burden sharing and cost overruns of ongoing realignment initiatives. Others reflect sensitive sovereignty issues involving Seoul’s control over its own military forces and desire to develop its own defense industry without dependence on American equipment. And although the United States and South Korea share a common interest in repelling any North Korea attack, views on the overall security landscape in Northeast Asia differ. Seoul resists adopting positions that threaten or offend China, and distrusts Japan’s efforts to expand its military capabilities.

Upgrades to the Alliance

Since 2009, the two sides have accelerated steps to transform the U.S.-ROK alliance, broadening it from its primary purpose of defending against a North Korean attack to a regional and even global partnership. At the same time, deadly provocations from North Korea have propelled more integrated bilateral planning for responding to possible contingencies. In 2011, the allies adopted a “proactive deterrence” policy to respond swiftly and forcefully to further provocations. Increasingly advanced joint military exercises have reinforced the enhanced defense partnership. In March 2013, U.S. officials disclosed that B-52 and B-2 bombers participated in exercises held in South Korea, apparently making this announcement as a demonstration of the U.S. commitment to extended deterrence, following a period of unusually hostile rhetoric from Pyongyang.²³ In 2012, the two sides held their second so-called “2+2” meeting between the U.S. Secretaries of State and Defense and their South Korean counterparts. Among other policy areas, the joint statement emphasized new initiatives on cybersecurity and missile defense, and the United States committed to maintaining current troop levels in Korea. In 2013, in addition to developing new counter-provocation and tailored deterrence strategies, the two sides issued a high-level joint statement in October 2013 committing to improving their respective anti-missile defense systems. However, despite these changes, the conservative Lee and Park Administrations have slowed significantly the defense budget increases planned under the earlier, progressive Roh Moo-hyun Administration (2003-2008).

²³ Jay Solomon, Julian Barnes, and Alastair Gale, “North Korea Warned—U.S. Flies Stealth Bombers over Peninsula in Show of Might,” *Wall Street Journal*, March 29, 2013.

Congressional Concern about U.S. Troop Deployments

In 2011, some Members of Congress raised strong concerns about existing plans to relocate U.S. bases in South Korea and “normalize” the tours of U.S. troops there, including longer stays with family members accompanying them. In May 2011, Senators Carl Levin, John McCain, and James Webb issued a statement that urged a reconsideration of the existing plans for U.S. military presence in the Asia Pacific, including the current agreements in South Korea. A Government Accountability Office (GAO) report requested by Members of the Senate Appropriations Committee released in May 2011 concluded that the Department of Defense had not demonstrated a “business case” to justify the tour normalization initiative, nor considered alternatives.²⁴ In June 2011, the Senate Armed Services Committee passed amendments to the 2012 National Defense Authorization Act that prevents the obligation of any funds for tour normalization until further reviews of the plan are considered and a complete plan is provided to Congress. The National Defense Authorization Act for Fiscal Year 2013 (H.R. 4310/P.L. 112-239) includes a provision (Section 2107) that continues to prohibit funds for tour normalization. Proponents of the existing plans say that such changes could restrict U.S. military capabilities and readiness as well as jeopardize hard-fought agreements designed to make the U.S. military presence more politically sustainable in South Korea.²⁵ For the time being, at least, the Department of Defense (DOD) has “stopped pursuing Tour Normalization as an initiative for Korea.”²⁶

U.S. Alliance and ROK Defense Reform Plans

Current security developments are taking place in the context of several concurrent defense plans. The June 2009 Obama-Lee summit produced the “**Joint Vision for the Alliance**,” which promised to enhance and globalize future defense cooperation. After the decision to delay the transfer of wartime operational control (Opcon) from U.S. to ROK forces, the operational “**Strategic Alliance 2015**” roadmap (announced in September 2010) outlined the new transition, including a path forward for improvements in ROK capabilities and changes to U.S. troop relocation and tour normalization. The U.S. military is also undergoing a broad transformation of its forces in the region; the 8th Army is moving toward becoming a war fighting headquarters that can deploy to other areas of the world while still serving as a deterrent to any possible aggression from North Korea.²⁷

Meanwhile, South Korea’s **Defense Reform 2020** bill passed by the National Assembly in 2006 laid out a 15-year, 621 trillion *won* (about \$550 million) investment that aimed to reduce the number of ROK troops while developing a high-tech force and strengthening the Joint Chiefs of Staff system. In addition, a plan known as “**Defense Reformation Plan 307**,” is intended to enhance collaboration among the ROK military branches. Responding to the North Korean provocations of 2010, the new “proactive deterrence” approach calls for a more flexible posture to respond to future attacks, as opposed to the “total war” scenario that has driven much of

²⁴ Report found at <http://www.gao.gov/products/GAO-11-316>.

²⁵ Bruce Klingner, “Proposed Re-Realignment for Northeast Asia Ignores Strategic Realities,” *Heritage Foundation WebMemo #3262*, May 18, 2011.

²⁶ U.S. Congress, Senate Committee on Armed Services, *Advance Questions for Lieutenant General Curtis Scaparrotti, USA, Nominee to be Commander, United Nations Command/Combined Forces Command/United States Forces Korea*, 113th Cong., 1st sess., July 30, 2013.

²⁷ “U.S. Army in South Korea Begins Transformation of Forces,” *Stars and Stripes*. August 25, 2010.

Seoul's defense planning in the past. However, political wrangling in the National Assembly blocked the passage of a set of defense reform bills in April 2012, leaving the future of reform unclear. The Park Administration has made raising military salaries a top priority.

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

In 2004, Secretary of Defense Donald Rumsfeld authorized a realignment program to reduce and relocate U.S. forces in South Korea. Under the Rumsfeld program, the Pentagon withdrew a 3,600-person combat brigade from the Second Division and sent it to Iraq. The Rumsfeld plan called for the U.S. troop level in South Korea to fall from 37,000 to 25,000 by September 2008. However, in 2008, Secretary of Defense Gates halted the withdrawals at the level of 28,500. 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.

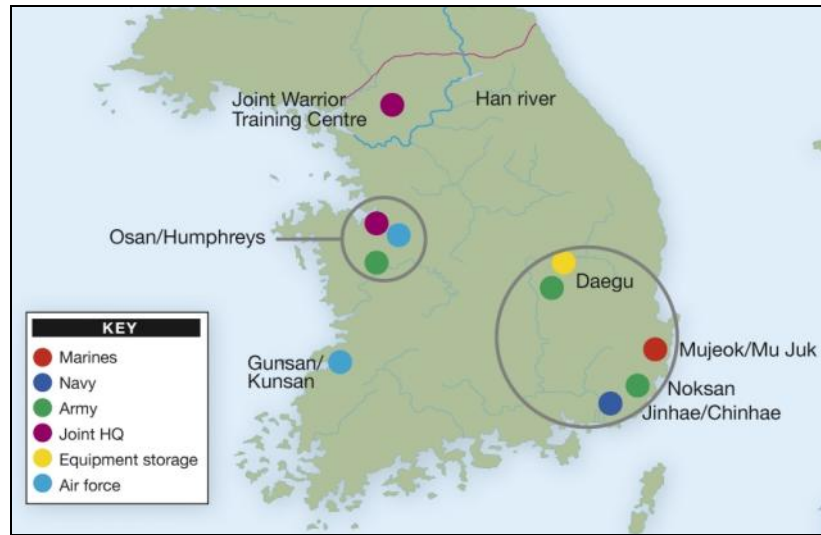
The USFK base relocation plan has two elements. The first envisages the transfer of a large percentage of the 9,000 U.S. military personnel at the Yongsan base to U.S. Army Garrison (USAG) Humphreys, which is located near the city of Pyeongtaek some 40 miles south of Seoul. The second element involves the relocation of about 10,000 troops of the Second Infantry Division from the demilitarized zone to areas south of the Han River (which runs through Seoul). The end result would be that USFK's sites would decline to 48, from the 104 it maintained in 2002. The bulk of U.S. forces would be clustered in the two primary "hubs" of Osan Air Base/USAG Humphreys and USAG Daegu that contain five "enduring sites" (Osan Air Base, USAG Humphreys, US AG Daegu, Chinhae Naval Base, and Kunsan Air Base). In late 2013, USFK Commander General Curtis Scaparrotti indicated that some "residual" staff may continue to fulfill the so-called "tripwire" function of U.S. forces stationed near the DMZ.²⁸

The relocations to Pyeongtaek originally were scheduled for completion in 2008, but have been postponed several times because of the slow construction of new facilities at Pyeongtaek and South Korean protests of financial difficulties in paying the ROK share of the relocation costs. The original cost estimate was over \$10 billion; South Korea was to contribute \$4 billion of this. Estimates in 2010 placed the costs at over \$13 billion. In congressional testimony in September 2010, U.S. officials demurred from providing a final figure on the cost of the move, but confirmed that the South Koreans were paying more than the original \$4 billion.²⁹ The first battalion-sized element relocated from a base in Uijeongbu, north of Seoul, to USAG Humphreys in late December 2012.³⁰ In summer 2013, USFK broke ground for the new headquarters of the U.S.-Korea Command (KORCOM) and United Nations Command (UNC) in Pyeongtaek. The facility will become the command center for U.S. forces after the planned transfer of wartime operational control to South Korea. Some individuals involved with the move speculate that it will not be completed until 2020.

²⁸ Ser Myo-ja, "USFK May Keep Tripwire Function," *Korea JoongAng Daily*, November 26, 2013.

²⁹ "Senate Armed Services Committee Holds Hearing on Security Situation on the Korean Peninsula," *CQ Congressional Transcripts*, September 16, 2010.

³⁰ "US Communication Battalion to Relocate to Camp Humphreys," *Korea Times*, December 27, 2012.

Figure 2. USFK Bases After Realignment Plan Is Implemented

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

Tour Normalization

Another complicating factor in the development of the Yongsan Relocation Plan is the announcement by the Pentagon in 2008 that U.S. military families, for the first time, would be allowed to join U.S. military personnel in South Korea. Most U.S. troops in South Korea serve one-year unaccompanied assignments. The goal was to phase out one-year unaccompanied tours in South Korea, replacing them with 36-month accompanied or 24-month unaccompanied tours. Supporters of the plan argue that accompanied tours create a more stable force because of longer, more comfortable tours. Eventually, the “normalization” of tours is estimated to increase the size of the U.S. military community at Osan/Humphreys near Pyongtaek to over 50,000. However, in January 2013, USFK released a statement saying, “while improvements to readiness remain the command’s first priority, tour normalization is not affordable at this time.”³¹ The aforementioned 2013 SASC report criticized the policy change as expensive and questioned the legality of how DOD calculated the housing allowance.

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. In January 2014, Seoul and Washington agreed to terms for the next five-year SMA, covering 2014-2018, subject to approval by the ROK parliament. Under the new agreement, Seoul will raise its contribution by 6% to 920 billion Korean won (\$867 million) in 2014 and then increase its annual payments at the rate of inflation. The new SMA also makes U.S. use of South Korean funds more transparent than in the past, in response to South Korean criticism. The ROK Ministry of Defense must approve every contract for which SMA funds are obligated, and USFK will submit an annual report on the SMA funds to the National Assembly. Even with these changes, Korean opposition

³¹ Ashley Rowland, “USFK: Program to move families to Korea ‘not affordable at this time,’” *Stars and Stripes*, January 8, 2013.

lawmakers complained that the agreement is “humiliating” and that USFK might use SMA funds to finance portions of the relocation plan (see above) in violation of the 2004 agreement.

According to an April 2013 Senate Armed Services Committee (SASC) report, U.S. military non-personnel costs in South Korea totaled about \$1.1 billion in 2012, and Korean SMA payments totaled 836 billion won (\$765 million).³² In combination with that sum, other compensation outside the SMA (such as the South Korea contribution to base relocation) provides for about 40%-45% of the total non-personnel stationing costs for the U.S. troop presence.³³ South Korean SMA payments have not kept pace with rising U.S. costs. The 2013 SASC report says that between 2008 and 2012 South Korea’s contributions grew by about \$42 million (in line with the pace of inflation), while U.S. non-personnel costs increased by more than \$500 million.

Opcon Transfer

The United States has agreed to turn over the wartime command of Korean troops to Seoul later this decade. Under the current arrangement, which is a legacy of U.S. involvement in the 1950-1953 Korean War, South Korea’s soldiers would be under the command of U.S. forces if there were a war on the peninsula. The plan to transfer wartime operational control was undertaken to recognize South Korea’s advances in economic and military strength since the Korean War and is seen by many as important for South Korean sovereignty. In 2007, Secretary Rumsfeld accepted a proposal by then-South Korean President Roh Moo-hyun to set up separate South Korean and U.S. military commands by April 2012. A U.S.-R.O.K. operational control agreement will dismantle the U.S.-R.O.K. Combined Forces Command (CFC), which has been headed by the U.S. commander in Korea. Separate U.S. and R.O.K. military commands will be established. In accord with the plan, a new U.S. Korea Command (KORCOM) will be established. Under the Opcon agreement, a bilateral Military Cooperation Center will be responsible for planning military operations, joint military exercises, logistics support, and intelligence exchanges, and assisting in the operation of the communication, command, control, and computer systems.

In 2010, the Opcon transfer was delayed after a series of provocations from North Korea and amid concerns about whether South Korean forces were adequately prepared to assume responsibility. As the new deadline of 2015 grew closer, concerns again emerged about the timing: in 2013, media outlets reported that officials in Seoul had asked Washington to delay the transfer. Some military experts expressed concern that turning over control would lead to the United States reducing its overall commitment to South Korean security. During his confirmation hearing in May 2013, General Scaparrotti asserted that he supported the scheduled timetable but that South Korea would need to meet a set of certification requirements beforehand.

The “Strategic Flexibility” of USFK

In 2007 and 2008, U.S. commanders in South Korea stated that the future U.S. role in the defense of South Korea would be mainly an air force and naval role. The ROK armed forces today total 681,000 troops, with nearly 550,000 of them in the Army and around 65,000 each in the Air Force

³² U.S. Congress, Senate Committee on Armed Services, *Inquiry into U.S. Costs and Allied Contributions to Support the U.S. Military Presence Overseas*, 113th Cong., April 15, 2013, S.Rept. 113-12 (Washington: GPO, 2013).

³³ Figures provided by officials in Special Measures Agreement program at U.S. Forces Korea through e-mail correspondence with CRS.

and Navy. Since 2004, the U.S. Air Force has increased its strength in South Korea through the regular rotation into South Korea of advanced strike aircraft. These rotations are not a permanent presence, but the aircraft often remain in South Korea for weeks and sometimes months for training.

Since the early 2000s, U.S. military officials have expressed a desire to deploy some U.S. forces in South Korea to areas of international conflicts under a doctrine of “strategic flexibility.” The South Korean government of Roh Moo-hyun resisted this idea, largely for fear it might entangle South Korea in a possible conflict between the United States and China. In the mid-2000s, the two governments reached an agreement in which South Korea recognized the United States’ intention to be able to deploy its forces off the Peninsula, while the United States in turn recognized that the troops’ return to South Korea would be subject to discussion. Among other elements, the compromise seems to imply that in an off-Peninsula contingency, U.S. forces might deploy but not operate from South Korea.

Revision of South Korean Ballistic Missile Guidelines

In October 2012, South Korea announced that the United States had agreed to allow South Korea to increase the maximum range of its ballistic missiles from 300 km (186 miles) to 800 km (500 miles) and to increase the payload limit from 500 kg (1,100 lbs.) to 1,000 kg (2,200 lbs.) if the range is reduced proportionately.³⁴ The revised missile guidelines had reportedly been under negotiation for two years, following two conventional military attacks in 2010 by North Korea against South Korean military and civilian targets. The South Korean and U.S. governments characterized the revision as an effort to improve deterrence in response to the increased military threat of North Korea, particularly its ballistic missiles. The revised guidelines do not violate the Missile Technology Control Regime (MTCR), but critics argue that the United States has damaged its credibility to restrain other countries’ missile development, including North Korea’s. Other analysts have raised concerns about the impact of the agreement on the regional security environment in Northeast Asia.³⁵ Some analysts view North Korea’s December 2012 rocket launch (using ballistic missile technology) partly as a response to the revised guidelines.³⁶ Alliance politics may have encouraged Washington to acquiesce to Seoul’s demands.³⁷

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

South Korea is a major purchaser of U.S. weapon systems, taking delivery of \$540 million worth of U.S. arms in calendar year 2011. The country is regularly among the top customers for Foreign Military Sales (FMS) and arranged large deals for 36 new AH-64E “Apache” attack helicopters and 14 refurbished CH-47D “Chinook” cargo helicopters in late 2013. Although South Korea generally buys the majority of its weapons from the United States, European and Israeli defense

³⁴ South Korea first agreed to ballistic missile range and payload restrictions in 1979 in exchange for U.S. technical assistance in missile development. The revised guidelines supersede bilateral agreements made in 1990 and 2001.

³⁵ James Schoff, *The New Missile Risk on the Korean Peninsula*, Carnegie Endowment for International Peace, Commentary, Washington, DC, September 17, 2012, <http://carnegieendowment.org/2012/09/17/new-missile-risk-on-korean-peninsula/dugs>.

³⁶ Tad Farrell, “Understanding North Korea’s Next Satellite Launch,” *NK News*, December 1, 2012.

³⁷ Daniel Pinkston, “The New South Korean Missile Guidelines and Future Prospects for Regional Stability,” International Crisis Group, October 25, 2012, <http://www.crisisgroupblogs.org/strongandprosperous/2012/10/25/the-new-south-korean-missile-guidelines-and-future-prospects-for-regional-stability/>.

companies also compete for contracts; Korea is an attractive market because of its rising defense expenditures. According to *Foreign Policy*, however, U.S. officials are concerned that South Korea is exploiting U.S. defense technology in its indigenously produced equipment, some of which is exported to other countries.³⁸

South Korea will reportedly purchase the Lockheed Martin F-35 Joint Strike Fighter to be its next main fighter aircraft, after the Ministry of Defense in September 2013 threw out the yearlong acquisition process that selected the Boeing F-15SE fighter.³⁹ The cost of the F-35 had been too high for the original bid, according to reports, but Korean defense officials determined that only the F-35 met their requirements for advanced stealth capability. South Korea will purchase 40 F-35 fighters at a total cost of \$7.83 billion, with the first delivery of aircraft scheduled for 2018.

Missile defense is an area of growing investment for the South Korean military. The ROK Navy has three destroyers with Aegis tracking software but no missile interceptors, and the ROK Army fields relatively unsophisticated PAC-2 interceptors, which are not suited for a ballistic missile defense role. The budget requested by the Ministry of National Defense for FY2014 includes significant funding to accelerate South Korea's missile defense system; although most components will come from the United States, South Korea has decided to develop its own Korean Air and Missile Defense (KAMD) system instead of integrating with the U.S. regional ballistic missile defense network. As plans for the KAMD unfold, the South Korean military will reportedly seek to purchase PAC-3 interceptors, SM-2 surface-to-air missiles, and the more advanced SM-6 air defenses.⁴⁰

South Korea is also considering the purchase of U.S. unmanned aerial vehicles (UAVs). The U.S. Defense Security Cooperation Agency in December 2012 proposed the sale of four Global Hawk UAVs to South Korea at a total cost of \$1.2 billion. Given concerns that the sale could violate the Missile Technology Control Regime (MTCR) and non-proliferation norms, observers have called on the Obama Administration to ensure that the Global Hawks are used strictly for reconnaissance and are not armed.⁴¹ Currently, the South Korean military only operates reconnaissance UAVs, but the Ministry of National Defense is budgeting \$447 million to indigenously develop a combat UAV by 2021.⁴² The revised ballistic missile guidelines also increased the maximum allowable payload for South Korean UAVs to from 500 kg to 2,500 kg (5,500 lbs.), but the range is not limited by any international agreements.

Korea's Defense Reform 2020 legislation emphasizes the development of indigenous capabilities by increasing the percentage of funds allocated to defense research and development (R&D).⁴³ South Korea aims to improve the competitiveness of its defense industry, but problems with the reliability of certain systems pose a challenge; South Korean firms compete internationally in the

³⁸ Gordon Lubold, "Is South Korea Stealing U.S. Military Secrets?" *Foreign Policy*, October 23, 2013, http://www.foreignpolicy.com/articles/2013/10/28/is_south_korea_stealing_us_military_secrets.

³⁹ Ser Myo-ja, "Military Selects Lockheed Martin Fighter," *Korea JoongAng Daily*, November 23, 2013.

⁴⁰ Zachary Keck, "South Korea Goes All in on Missile Defense," *The Diplomat* blog, July 26, 2013, <http://thediplomat.com/flashpoints-blog/2013/07/26/south-korea-goes-all-in-on-missile-defense>.

⁴¹ "Drones for South Korea," *New York Times*, Editorial. December 29, 2012.

⁴² Song Sang-ho, "U.S. Agrees to Extend Seoul's Ballistic Missile Range: Reports," *Korea Herald*, September 23, 2012.

⁴³ "South Korea Defense Budget," *Jane's Defence Budgets*. December 14, 2009.

armored vehicle, shipbuilding, and aerospace industries.⁴⁴ Of particular note is the T-50 Golden Eagle, a trainer and light fighter aircraft developed in conjunction with Lockheed Martin.

The 110th 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 become NATO Plus Five. This upgrade establishes a higher dollar 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.

South Korea's Regional Relations

Looking at their surrounding neighborhood, South Koreans sometimes refer to their country as a "shrimp among whales." South Korea's relations with China and Japan, especially the latter, are fraught with ambivalence, combining interdependence and rivalry. Until 2013, trilateral cooperation among the three capitals generally had been increasing, particularly in the aftermath of the 2008 global financial crisis. Between 2009-2012, leaders of the three countries met annually in standalone summits, established a trilateral secretariat in Seoul, signed an investment agreement, and laid the groundwork for trilateral FTA negotiations to begin.⁴⁵ In 2013, however, tensions between South Korea and Japan, and between China and Japan, froze much of this burgeoning trilateral cooperation. One exception was the trilateral FTA negotiations, which were launched in March.

Park Geun-hye often speaks of a Northeast Asian "paradox," in which there is a "disconnect between growing economic interdependence on the one hand and backward political-security cooperation on the other." To resolve this situation, Park has proposed a "Northeast Asian Peace and Cooperation Initiative" that would involve, among other items, Japan adopting a "correct understanding of history," and the United States and China forging a "forward-looking relationship."⁴⁶ While the South Korean government has been vague about the proposal, a key part of Park's vision appears to be to start by holding multilateral meetings with regional countries and the United States to discuss non-traditional security issues such as the environment, disaster relief, and nuclear safety.

South Korea-Japan Relations

U.S. policymakers have long voiced encouragement for enhanced South Korea-Japan relations. A cooperative relationship between the two countries, both U.S. treaty allies, and among the three is in 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, despite increased cooperation, closeness, and interdependence between the South Korean and Japanese governments, people, and businesses over the past decade, mistrust on historical and territorial issues continues to linger. South Korea and Japan have

⁴⁴ Simon Mundy, "South Korea Aims to Become Defence Powerhouse," *Financial Times*, November 6, 2013.

⁴⁵ From 1999 to 2007, trilateral summits were only held on the sidelines of the Association of Southeast Asian Nations' "Plus Three" summit (which included the 10 ASEAN countries plus China, Japan, and South Korea).

⁴⁶ Park Geun-hye, "Remarks by to a Joint Session of Congress," May 8, 2013; "A Plan for Peace in North Asia," *Wall Street Journal Opinion Asia*, November 12, 2012.

competing claims to the small Dokdo/Takeshima islands in the Sea of Japan (called the East Sea by Koreans), and most South Koreans complain that Japan has not adequately acknowledged its history of aggression against Korea.⁴⁷ For more than three generations beginning in the late 19th 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 wipe out Korean culture.⁴⁸ Among the victims were tens of thousands of South Korean “comfort women” who during the 1930s and 1940s were recruited, many if not most by coercive measures, into providing sexual services for Japanese soldiers. Whenever South Koreans perceive that Japanese officials are downplaying or denying this history, it becomes difficult for South Korean leaders to back initiatives to institutionalize improvements in bilateral ties.

From 2008-2011, former President Lee sought to separate historical issues from the larger relationship. In this, he was aided by Japanese leaders, from the Democratic Party of Japan (DPJ) who often tended to be more willing to acknowledge Imperial Japan’s actions against Korea and who placed a priority on improving relations with Seoul. Cemented for the first time in years by a common strategic outlook on North Korea, trilateral South Korea-U.S.-Japan coordination over North Korea policy was particularly close. People-to-people ties blossomed, with tens of thousands of Japanese and Koreans traveling to the other country every day. The South Korean and Japanese militaries also stepped up their cooperation, including holding trilateral exercises with the United States.

However, South Koreans’ interest in forming significant new institutional arrangements with Japan is dampened by three domestic factors in South Korea. First, continued suspicions of Japan among the South Korean population place political limitations on how far and how fast Korean leaders can improve relations. Second, continued disagreements over Dokdo/Takeshima’s sovereignty continue to weigh down the relationship. Third, unlike Japan, South Korea generally does not view China as an existential challenge and territorial threat. South Korea also needs Chinese cooperation on North Korea. Accordingly, South Korean leaders tend to be much more wary of taking steps that will alarm China. A factor that could change this calculation is if China is seen as enabling North Korean aggression. Indeed, North Korean acts of provocation are often followed by breakthroughs in ROK-Japan relations, as well as in ROK-U.S.-Japan cooperation.

All three of these factors contributed to a dramatic downturn in South Korea-Japan relations in 2012. In May and again in June, the two sides were on the verge of signing a completed intelligence-sharing agreement long sought by the United States as a way to ease trilateral cooperation and dialogue. However, a firestorm of criticism against the pact in South Korea led the Lee government to cancel the signing minutes before it was to take place. Negotiations over a related deal on exchanging military supplies also broke down. Later that summer, President Lee made the first-ever visit by a South Korean president to Dokdo/Takeshima. Lee said his visit was in large measure a response to what he claimed was Japan’s failure to adequately acknowledge and address the suffering of the World War II comfort women. Lee further upset many Japanese when news reports revealed negative comments he made about the Japanese Emperor in a town-hall setting. In response, Japanese leaders halted many forms of official dialogue for a time.

⁴⁷ Since the early 1950s, South Korea has administered Dokdo/Takeshima, which the U.S. government officially calls the “Liancourt Rocks.”

⁴⁸ Many Koreans believe that the United States was complicit in this history, 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.

From this low base, relations worsened after the elections of Park Geun-hye and Abe Shinzo. Neither leader appears willing to be seen as compromising with the other. Moreover, the approaches of both leaders to historical issues appear to contradict one another and are locked in a vicious circle: Park seeks to bring Japan to a more full-throated acknowledgement and apology for its pre-WWII actions, and has linked other aspects of South Korea-Japan relations to the history issue. Meanwhile, Abe aims to restore Japanese pride in its history by erasing many signs of what many Japanese nationalists have regarded as self-flagellation, such as the portrayal of the early 20th Century in history textbooks. Given the array of domestic forces opposed to raising South Korea-Japan relations to a new level, it is unclear whether the two governments will have the interest or capacity to do more than maintain *ad hoc* cooperation, such as in response to aggressive North Korean actions.

South Korea-China Relations

Park Geun-hye has placed a priority on improving South Korea's relations with China, which are generally thought to have been cool during Lee Myung-bak's tenure. China's rise influences virtually all aspects of South Korean foreign and economic policy. North Korea's growing economic and diplomatic dependence on China since the early 2000s has meant that South Korea must increasingly factor Beijing's actions and intentions into its North Korea policy. China's influence over North Korea has tended to manifest itself in two ways in Seoul. On the one hand, most South Korean officials worry that North Korea, particularly its northern provinces, is drifting into China's orbit. For those on the political left in South Korea, this was an argument against Lee's harder line stance toward inter-Korean relations, which they say has eroded much of South Korea's influence over North Korea. On the other hand, China's continued support for North Korea, particularly its perceived backing of Pyongyang after the Yeonpyeong Island shelling in 2010, has angered many South Koreans, particularly conservatives. China's treatment of North Korean refugees, many of whom are forcibly repatriated to North Korea, has also become a bilateral irritant. Many South Korean conservatives also express concern that their Chinese counterparts have been unwilling to discuss plans for dealing with various contingencies involving instability in North Korea, though there were signs in 2013 that Beijing was becoming more willing to engage in these discussions. Park Geun-hye has called for establishing a trilateral strategic dialogue among Korea, the United States, and China.⁴⁹

Furthermore, South Korean concerns about China's rise have been heightened from time to time by China's increased assertiveness around East Asia in recent years. However, when disagreements with Beijing have arisen over maritime issues, the two governments generally have prevented these incidents from escalating.

Since China's 2001 entry into the World Trade Organization, China has emerged as South Korea's most important economic partner. Over 20% of South Korea's total trade is with China, twice the level for South Korea-U.S. and South Korea-Japan trade.⁵⁰ For years, China has been the number one location for South Korean firms' foreign direct investment. In 2012, the two countries agreed to start bilateral FTA negotiations. Yet, even as China is an important source of South Korean economic growth, it also looms large as an economic competitor. Indeed, fears of increased

⁴⁹ Park Geun-hye, "Trustpolitik and the Making of a New Korea," November 15, 2012.

⁵⁰ Much of South Korea's exports to China are intermediate goods that ultimately are used in products exported to the United States and Europe.

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.

South Korea-Iran Relations⁵¹

In December 2012, the Obama Administration granted South Korea a 180-day extension of its exemption from U.S. sanctions on Iran as a result of South Korea's curtailing of oil imports from Iran. P.L. 112-81, the National Defense Authorization Act for Fiscal Year 2012, places strict limitations on the U.S. operations of foreign banks that conduct transactions with Iran's Central Bank. Foreign banks can be granted an exemption from sanctions if the President certifies that the parent country of the bank has significantly reduced its purchases of oil from Iran. South Korea is one of the largest importers of Iranian oil. Following extensive negotiations between the Obama and Lee governments in early 2012, South Korean imports of Iranian oil fell sharply. As of late 2013 they averaged around 40% the level that South Korea was importing in 2011. In response to these cutbacks, the Obama Administration has issued periodic waivers that exempt Seoul from U.S. sanctions that otherwise would apply because of South Korea's continued imports of oil from Iran. Additionally, under a November 2013 interim agreement between Iran, the United States, and five other countries, from January 2014 to June 2014, the United States will pause its efforts to further reduce Iran's crude oil sales, including sales to South Korea.⁵²

Over the past decade, growing concerns over Iran's nuclear program have led to increased U.S. scrutiny of South Korea's longstanding trade with and investments in Iran. South Korea is one of the most important customers for Iranian oil.⁵³ A number of South Korean conglomerates (called *chaebol*) have received significant contracts to build or service large infrastructure projects in Iran, including in Iran's energy sector. Additionally, Iran has been a significant regional hub for thousands of smaller South Korean manufacturers, which ship intermediate goods to Iran that are then assembled into larger units and/or re-exported to other Middle Eastern countries.

Economic Relations

South Korea and the United States are major economic partners. In 2013, two-way trade between the two countries totaled around \$100 billion (see **Table 1Error! Reference source not found.**), making South Korea the United States' sixth-largest trading partner. 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 2013, the United States was South Korea's second-largest trading partner, second-largest export market, and the third-largest source of imports. It was among South Korea's largest suppliers of foreign direct investment (FDI).

As South Korea has emerged as a major industrialized economy, and as both countries have become more integrated with the world economy, economic interdependence has become more complex and attenuated. In particular, the United States' economic importance to South Korea has declined relative to other major powers. In 2003, China for the first time displaced the United

⁵¹ For more information, see CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman.

⁵² State Department Fact Sheet, "Guidance Relating to the Provision of Certain Temporary Sanctions Relief in Order to Implement the Joint Plan of Action Reached on November 24, 2013," January 20, 2014.

⁵³ Iran data from Economist Intelligence Unit, *Iran Country Report*, April 2012.

States from its perennial place as South Korea’s number one trading partner. In the mid-2000s, Japan overtook the United States, and since that time South Korean annual trade with the 27-member European Union has caught up with ROK-U.S. trade.

In October 2011, the House and Senate passed H.R. 3080, the United States-Korea Free Trade Agreement Implementation Act, which was subsequently signed by President Obama.⁵⁴ In March 2012, the U.S.-South Korea FTA (KORUS FTA) entered into force. The George W. Bush and Roh Moo-hyun Administrations initiated the KORUS FTA negotiations in 2006 and signed an agreement in June 2007.

Upon the date of implementation of the KORUS FTA, 82% of U.S. tariff lines and 80% of South Korean tariff lines were tariff 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. By the tenth year of the agreement, the figures will rise to an estimated 99% and 98%, respectively, with tariff elimination occurring in stages and the most sensitive products having the longest phase-out periods. Non-tariff barriers in goods trade and barriers in services trade and foreign investment are to be reduced or eliminated under the KORUS FTA.

At the time of this writing, the KORUS FTA had been in force for about 20 months; therefore it is too early to ascertain its overall impact on U.S.-South Korean bilateral trade. Nevertheless, below presents U.S.-South Korea merchandise trade data for selected years, total bilateral trade grew by around 2.5% in 2013 compared to 2012. U.S. exports to South Korea declined by around 1.7% in value, while U.S. imports from South Korea increased by around 5.5%.

Table 1. Annual U.S.-South Korea Merchandise Trade, Selected Years
(billions of U.S. dollars)

Year	U.S. Exports	U.S. Imports	Trade Balance	Total Trade
1990	14.4	18.5	-4.1	32.9
1995	25.4	24.2	1.2	49.6
2000	27.9	40.3	-12.4	68.2
2005	27.5	43.8	-16.3	71.3
2010	38.8	48.9	-10.1	87.7
2011	43.4	56.7	-13.3	100.1
2012*	42.3	58.9	-16.6	101.2
2013	41.6	62.2	-20.6	103.8
Major U.S. Export Items	Semiconductors and semiconductor manufacturing equipment; civilian aircraft; chemical products; specialized devices; coal products; plastics; corn and wheat.			
Major U.S. Import Items	Motor vehicles and parts; cell phones; computers, tablets, and their components; iron and steel; jet fuel and motor oil; tires.			

Source: Global Trade Atlas, accessed February 11, 2014.

⁵⁴ The House vote was 278-151. In the Senate, the vote was 83-15.

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

South Korea's Economic Performance

South Korea was hit hard by the global financial crisis began in late 2008, because of its heavy reliance on international trade and its banks' heavy borrowing from abroad. Real GDP growth declined to 0.2% in 2009. However, the South Korean economy roared back and grew by 6.2% in 2010. The government took strong countermeasures to blunt the crisis' impact, engaging in a series of fiscal stimulus actions worth about 6% of the country's 2008 GDP, by some measures the largest such package in the Organization for Economic Cooperation and Development (OECD) group of industrialized countries. The Bank of Korea (BOK) also acted aggressively, lowering interest rates from over 5% to a record low 2% and engaging in a range of other operations, estimated by the OECD to be worth over 2.5% of GDP, designed to infuse liquidity in the Korean economy. The BOK negotiated currency swap agreements with the United States, Japan, and China.⁵⁵ The South Korean *won*, after depreciating to around 1,500 *won*/dollar—a fall of nearly one-third from early 2008 to early 2009—has gradually strengthened against the dollar, to the 1,000-1,100 *won*/dollar range. The *won*'s depreciation in 2008 and 2009 helped to stimulate South Korea's economic recovery by making its exports cheaper relative to many other currencies, particularly the Japanese *yen*.

Since 2010, South Korean real GDP growth has slowed, in part due to a slowdown in its foreign trade and the *won*'s appreciation. South Korea's economy is highly dependent upon capital inflows and exports, the latter of which are equal to around half of the country's annual GDP. Thus, South Korea remains vulnerable to a slowdown in its major export markets: China, the United States, and the European Union. GDP growth in 2011 was 3.6%, 2% in 2012, and is estimated to have been around 2.8% in 2013.

Although South Korea's economic performance until recent months may look favorable to many around the world, complaints in South Korea have risen in recent years that only rich individuals and large conglomerates (called *chaebol*) have benefitted from the country's growth since the 2008-2009 slowdown. The 2012 presidential election was largely fought over the issues of governance (in the wake of a number of corruption scandals), social welfare, and rising income inequality. Leading figures in both parties, as well as President Park and former President Lee, have proposed ways to expand South Korea's social safety net. As mentioned in the politics section below, lower-than-expected growth for 2013 has contributed to Park's scaling back her plans. South Korea has one of the lowest rates of social welfare spending in the industrialized world. The rapid ageing of the South Korean population is expected to create additional financial pressures on government expenditures in the future.

⁵⁵ The October 2008 swap agreement with the U.S. Federal Reserve gave Bank of Korea access to up to \$30 billion in US dollar funds in exchange for *won*.

Nuclear Energy and Non-Proliferation Cooperation

Bilateral Nuclear Energy Cooperation⁵⁶

The United States and South Korea have cooperated in the peaceful use of nuclear energy for over 50 years.⁵⁷ This cooperation includes commercial projects as well as R&D work on safety, safeguards, advanced nuclear reactors, and fuel cycle technologies. As mentioned in the introductory section of this report, the two countries have announced a two-year extension of their bilateral civilian nuclear cooperation agreement, often referred to as a “123 agreement,” which expires in March 2014.⁵⁸ An extension of the agreement was approved by Congress (S. 1901) in January. Renewing the agreement is necessary because the existing agreement was concluded before the current requirements under section 123a of the Atomic Energy Act (as amended) (AEA) were enacted, and the existing agreement does not meet all of the AEA’s requirements.

One of the reasons Seoul and Washington have decided on a two-year extension is to give more time to negotiators to work out a sticking point in the talks—how to treat fuel cycle issues. South Korea reportedly requested that the new agreement include a provision that would give permission in advance for U.S.-obligated spent nuclear fuel to be reprocessed to make new fuel using a type of reprocessing called pyroprocessing.⁵⁹ The United States and South Korea are jointly researching pyroprocessing, but the technology is at the research and development stage.⁶⁰ The Obama Administration would prefer to approve such activities on a case-by-case basis (referred to as “programmatically consent”), as is provided for under the current agreement. The South Korean government is reportedly also seeking confirmation in the renewal agreement of its right to build enrichment plants.

For several decades, the United States has pursued a policy of limiting the spread of enrichment and reprocessing technology to new states as part of its nonproliferation policies.⁶¹ This is because enrichment and reprocessing can create new fuel or material for nuclear weapons. Advance permission to reprocess rarely has been included in U.S. nuclear cooperation agreements, and to date has only been granted to countries that already had the technology (such

⁵⁶ Written by Mary Beth Nikitin, Specialist in Nonproliferation.

⁵⁷ 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 R41032, *U.S. and South Korean Cooperation in the World Nuclear Energy Market: Major Policy Considerations*, by Mark Holt.

⁵⁸ See also CRS Report RS22937, *Nuclear Cooperation with Other Countries: A Primer*, by Paul K. Kerr and Mary Beth D. Nikitin. Full text of the agreement is available at http://nnsa.energy.gov/sites/default/files/nnsa/inlinefiles/Korea_South_123.pdf.

⁵⁹ Daniel Horner, “South Korea, U.S. at Odds over Nuclear Pact,” *Arms Control Today*, September 2012, http://armscontrol.org/act/2012_09/Sout-Korea-US-at-Odds-Over-Nuclear-Pact. Under the 1978 Nuclear Nonproliferation Act, consent rights apply to material originating in the U.S. or material that has been fabricated into fuel or irradiated in a reactor with U.S. technology. The majority of South Korea’s spent fuel would need U.S. consent before it could be reprocessed.

⁶⁰ Reprocessing of spent nuclear fuel can be used to make new reactor fuel or to separate out plutonium in the spent fuel for weapons use. Pyroprocessing, or electro-refining, is a non-aqueous method of recycling spent fuel into new fuel for fast reactors. It only partially separates plutonium and uranium from spent fuel. There is debate over the proliferation implications of this technology.

⁶¹ For more, see CRS Report RS22937, *Nuclear Cooperation with Other Countries: A Primer*, by Paul K. Kerr and Mary Beth D. Nikitin.

as to India, Japan, and Western Europe). However, the issue has become a sensitive one in the U.S.-ROK relationship. Many South Korean officials and politicians see the United States' rules as limiting South Korea's national sovereignty by requiring U.S. permission for civilian nuclear activities. This creates a dilemma for U.S. policy as the Obama Administration has been a strong advocate of limiting the spread of fuel cycle facilities to new states, and would prefer multilateral solutions to spent fuel disposal.

Spent fuel disposal is a key policy issue for South Korean officials, and some see pyroprocessing as a potential solution. While reactor-site spent fuel pools are filling up, the construction of new spent fuel storage facilities is highly unpopular with the public. Some officials argue that in order to secure public approval for an interim storage site, the government needs to provide a long-term plan for the spent fuel. However, some experts point out that by-products of spent fuel reprocessing would still require long-term storage and disposal options. Other proponents of pyroprocessing see it as a way to advance energy independence for South Korea.

For decades, the United States and South Korea have worked on joint research and development projects to address spent fuel. In the 1990s, the two countries worked intensely on research and development on a different fuel recycling technology (the "DUPIC" process), but this technology ultimately was not commercialized. In the past 10 years, joint research has centered on pyroprocessing. The Korean Atomic Energy Research Institute (KAERI) is conducting a laboratory-scale research program on reprocessing spent fuel with an advanced pyroprocessing technique. U.S.-South Korean bilateral research on pyroprocessing began in 2002 under the Department of Energy's International Nuclear Energy Research Initiative (I-NERI). R&D work on pyroprocessing was temporarily halted by the United States in 2008, due to the proliferation sensitivity of the technology. In an attempt to find common ground and continue bilateral research, in October 2010 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. In July 2013, a new agreement on R&D technology transfer for joint pyroprocessing work in the United States took effect as part of the Joint Fuel Cycle Study.⁶²

While the Korean nuclear research community argues for development of pyroprocessing technology, the level of consensus over the pyroprocessing option among Korean government agencies, electric utilities, and the public remains uncertain. Generally, there appears to be support in South Korea for research and development of the technology. Some analysts are concerned about the economic and technical viability of commercializing the technology. While the R&D phase would be paid for by the government, the private sector would bear the costs of commercialization. At a political level, pyroprocessing may have more popularity as a symbol of South Korean technical advancement and the possibility of energy independence. Some argue that South Korea should have the independent ability to provide fuel and take back waste from new nuclear power countries in order to increase its competitive edge when seeking power plant export contracts. The Park Administration is conducting a review of the country's spent fuel policies.

Some analysts critical of the development of pyroprocessing in South Korea point to the 1992 Joint Declaration, in which North and South Korea agreed they would not "possess nuclear reprocessing and uranium enrichment facilities" and are concerned about the impact of South

⁶² Federal Register, Vol. 708, No. 105, May 31, 2013.

Korea's pyroprocessing on negotiations with the North. Others emphasize that granting permission for pyroprocessing in South Korea would contradict U.S. nonproliferation policy to halt the spread of sensitive technologies to new states. Some observers, particularly in South Korea, point out that the United States has given India and Japan consent to reprocess, and argue that they should be allowed to develop this technology under safeguards.

South Korea and the United States have several options on how to treat this issue in the negotiations over a new nuclear cooperation agreement. One option would be to renew the agreement without granting any prior consent, and apply for programmatic consent in the future as required (i.e., the same provisions as the current agreement). Another would be for South Korea to seek long-term advance consent for pyroprocessing. Alternatively, South Korea could seek programmatic consent for research and development of the technology and could then ask for further consent for commercialization if it decided to go that route at a future date.

Since the technology has not been commercialized anywhere in the world, the United States and the International Atomic Energy Agency (IAEA) are working with the South Korean government to develop appropriate IAEA safeguards should the technology be developed further. Whether pyroprocessing technology can be sufficiently monitored to detect diversion to a weapons program is a key aspect of the Joint Study.

South Korean Nonproliferation Policy

South Korea has been a consistent and vocal supporter of strengthening the global nonproliferation regime, which is a set of treaties, voluntary export control arrangements, and other policy coordination mechanisms that work to prevent the spread of nuclear, biological, and chemical weapons and their delivery systems. South Korea destroyed all of its chemical weapons stocks by 2008, under the Chemical Weapons Convention.⁶³ South Korea is a member of the Nuclear Suppliers' Group (NSG), which controls sensitive nuclear technology trade, and adheres to all international nonproliferation treaties and export control regimes. South Korea also participates in the G-8 Global Partnership, and other U.S.-led initiatives—the Proliferation Security Initiative, the International Framework for Nuclear Energy Cooperation (formerly GNEP), and the Global Initiative to Combat Nuclear Terrorism. South Korea has contributed \$1.5 million to the United States' nuclear smuggling prevention effort, run by the Department of Energy, as part of its G8 Global Partnership pledge.⁶⁴ South Korea has also contributed to the Organization for the Prohibition of Chemical Weapons (OPCW) Trust Fund to support the destruction of Syrian chemical weapons.

An Additional Protocol (AP) to South Korea's safeguards agreement with the International Atomic Energy Agency (IAEA) entered into force as of February 2004. This gives the IAEA increased monitoring authority over the peaceful use of nuclear technology. In the process of preparing a more complete declaration of nuclear activities in the country, the Korean Atomic Energy Research Institute (KAERI) disclosed previously undeclared experiments in its research laboratories on uranium enrichment in 2000, and on plutonium extraction in 1982. The IAEA

⁶³ South Korea has not recognized this stockpile publicly, and chose to destroy the weapons under the CWC confidentiality provisions. "South Korea Profile," *Nuclear Threat Initiative*, <http://www.nti.org/country-profiles/south-korea/>

⁶⁴ "Republic of Korea Increases Support of NNSA Work to Combat Nuclear Smuggling," NNSA Press Release, January 2, 2013, <http://www.nnsa.energy.gov/mediaroom/pressreleases/koreacontributions010213>.

Director General reported on these undeclared activities to the Board of Governors in September 2004, but the Board did not report them to the U.N. Security Council. In response, the Korean government reconfirmed its cooperation with the IAEA and commitment to the peaceful use of nuclear energy, and reorganized the oversight of activities at KAERI. The experiments reminded the international community of South Korea's plans for a plutonium-based nuclear weapons program in the early 1970s under President Park Chung-hee, the father of the current President Park. Deals to acquire reprocessing and other facilities were canceled under intense U.S. pressure, and Park Chung-hee eventually abandoned weapons plans in exchange for U.S. security assurances. The original motivations for obtaining fuel cycle facilities as well as the undeclared experiments continue to cast a shadow over South Korea's long-held pursuit of the full fuel cycle. As a result, since 2004, South Korea has aimed to improve transparency of its nuclear programs and participate fully in the global nonproliferation regime. In addition, the 1992 Joint Declaration between North and South Korea says that the countries "shall not possess nuclear reprocessing and uranium enrichment facilities." Since North Korea has openly pursued both of these technologies, an intense debate is underway over whether South Korea should still be bound by those commitments. Some analysts believe that an agreement with North Korea on denuclearization could be jeopardized if South Korea does not uphold the 1992 agreement.

Of recent significance, South Korea hosted the 2012 Nuclear Security Summit, a forum initiated by President Obama shortly after his inauguration. This was the second such summit after the 2010 Washington, DC, event. The South Korean government agreed to host the summit because: it fit into the "Global Korea" concept of international leadership and summitry; it was a chance for the South Korean nuclear industry to showcase its accomplishments; and the South Korean government was able to emphasize South Korea's role as a responsible actor in the nuclear field, in stark contrast with North Korea. It was also an important symbol of trust between the U.S. and South Korean Presidents.

South Korean Politics

As of early 2014, South Korean politics continued to be dominated by Park Geun-hye (born in 1952) and her conservative Saenuri ("New Frontier") Party (NFP), which controls the legislature. Ms. Park was elected in December 2012, becoming not only South Korea's first woman president, but also the first presidential candidate to receive more than half of the vote (she captured 51.6%) since South Korea ended nearly three decades of authoritarian rule in 1988. She will serve until February 2018. By law, South Korean presidents serve a single five-year term. Park is the daughter of the late Park Chung-hee, who ruled South Korea from the time he seized power in a 1961 military coup until his assassination in 1979.

According to the Asan Institute's daily polling service, Park's public approval ratings were in the 60%-70% range for much of 2013, in part due to positive assessments of her handling of foreign affairs, particularly inter-Korean relations. However, her poll numbers declined to the 50% range by the end of the year, due to a number of factors, including: a perception that her government had done little to follow through on her campaign pledges to overcome South Korea's economic difficulties and strengthen its social safety net; the mounting evidence that the country's intelligence service had tried to influence the 2012 presidential election in her favor (though no evidence has surfaced that Park knew of the matter); and her government's handling of a railway strike. In particular, Park's favorability ratings have fallen among voters under 40, a development that many expected; in the 2012 election under-40 voters chose Park's opponent, the Democratic

United Party's Moon Jae-In, by a wide margin. Likewise, those over 50 overwhelmingly voted for Park and continue to be her strongest base of support.

A Short History of South Korean Presidential Changes

For most of the first four decades after the country was founded in 1948, South Korea was ruled by authoritarian governments. The most important of these was led by President Park's father, Park Chung-hee, a general who seized power in a military coup in 1961 and ruled until he was murdered by his intelligence chief in 1979. The elder Park's legacy is a controversial one. On the one hand, he orchestrated the industrialization of South Korea that transformed the country from one of the world's poorest. On the other hand, he ruled with an iron hand and brutally dealt with real and perceived opponents, be they opposition politicians, labor activists, or civil society leaders. For instance, in the early 1970s South Korean government agents twice tried to kill then-opposition leader Kim Dae-jung, who in the second attempt was saved only by U.S. intervention. The divisions that opened under Park continue to be felt today. Conservative South Koreans tend to emphasize his economic achievements, while progressives focus on his human rights abuses.

Ever since the mid-1980s, when widespread anti-government protests forced the country's military rulers to enact sweeping democratic reforms, democratic institutions and traditions have deepened in South Korea. In 1997, long-time dissident Kim Dae-jung was elected to the presidency, the first time an opposition party had prevailed in a South Korean presidential election. In December 2002, Kim was succeeded by a member of his left-of-center party: Roh Moo-hyun, a self-educated former human rights lawyer who emerged from relative obscurity to defeat establishment candidates in both the primary and general elections. Roh campaigned on a platform of reform—reform of Korean politics, economic policymaking, and U.S.-ROK relations. He was elected in part because of his embrace of massive anti-American protests that ensued after a U.S. military vehicle killed two Korean schoolgirls in 2002. Like Kim Dae-jung, Roh pursued a “sunshine policy” of largely unconditional engagement with North Korea that clashed with the harder policy line pursued by the Bush Administration until late 2006. Roh also alarmed U.S. policymakers by speaking of a desire that South Korea should play a “balancing” role among China, the United States, and Japan in Northeast Asia. Despite this, under Roh's tenure, South Korea deployed over 3,000 non-combat troops to Iraq—the third-largest contingent in the international coalition—and the two sides initiated and signed the KORUS FTA.

In the December 2007 election, former Seoul mayor Lee Myung-bak's victory restored conservatives to the presidency. Among other items, Lee was known for ushering in an unprecedented level of cooperation with the United States over North Korea and for steering South Korea through the worst of the 2008-2009 global financial crisis. Under the slogan “Global Korea,” he also pursued a policy of expanding South Korea's participation in and leadership of various global issues. During the final two years of his presidency, however, Lee's public approval ratings fell to the 25%-35% level, driven down by—among other factors—a series of scandals surrounding some of his associates and family members, and by an increasing concern among more Koreans about widening income disparities between the wealthy and the rest of society. Since the end of military rule in 1988, every former South Korean president has been involved in scandal and in some cases criminal investigation within several months of leaving office.

A Powerful Executive Branch

Nominally, power in South Korea is shared by the president and the 300-member unicameral National Assembly. Of these, 246 members represent single-member constituencies. The remaining 54 are selected on the basis of proportional voting. National Assembly members are elected to four-year terms. The president and the state 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.

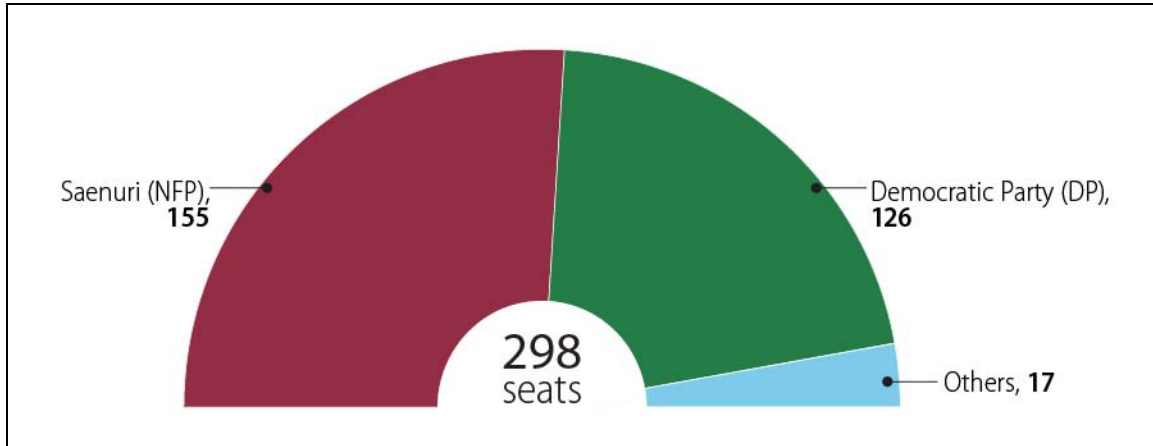
Political Parties

Presently, there are two major political parties in South Korea: President Park's conservative Saenuri Party (which has been translated as “New Frontier Party” or NFP) and the opposition,

center-left Democratic Party (DP).⁶⁵ U.S. ties have historically been much stronger with South Korea's conservative parties.

Figure 3. Party Strength in South Korea's National Assembly

As of August 2013



Notes: President Park Geun-hye is from the Saenuri (New Frontier) Party. The last nationwide legislative elections were held in April 2012, and the next are scheduled for April 2016. South Korea's next presidential election is scheduled for December 2017. By law, South Korean presidents are limited to one five-year term.

The NFP has controlled the Blue House (the residence and office of South Korea's president) and the National Assembly since 2008. In the last National Assembly elections, held in April 2012, the NFP—under the leadership of Park Geun-hye—shocked nearly all observers by winning a slim majority. (See **Figure 3**.) For much of 2011, virtually all the political winds appeared to be blowing in favor of the opposition, left-of-center parties, and many predicted they would achieve a sweeping victory.⁶⁶ Thus, even though the main opposition group now known as the DP increased its seat tally by nearly 50%, to 127, the April vote was considered a humiliating defeat, and the party's leadership resigned soon thereafter. Although the NFP retained control of the Assembly, its narrow majority could make it vulnerable if it loses any of its members.

South Korea's progressive political parties controlled the Blue House for 10 years, from 1998-2008. For a four-year period, from 2004-2008, a progressive party was the largest political group in in the National Assembly and held a majority for part of that period. After failing to retake the Blue House or National Assembly in 2012, the DP and other progressive parties face several more years without significant tools of power and influence within the South Korean polity. Many South Koreans expect that a new party, centered on independent National Assemblyman Ahn Cheol-Su, will be formed in 2014. Some polls indicate that Ahn's party would instantly become the second-most popular, after the NFP.

⁶⁵ The Saenuri Party formerly was known as the Grand National Party (GNP). The Democratic Party formerly was known as the Democratic United Party (DUP).

⁶⁶ Among the many signs of this trend: the progressive parties soundly defeated the ruling party in April 2011 legislative by-elections, a left-of-center activist (Park Won-Soon) won a vote for the Seoul mayoralty in October; the approval ratings for President Lee and his party plummeted, due in part to a series of scandals; and in late 2011 and early 2012 Korea's major progressive parties either merged or decided to cooperate during the April National Assembly elections.

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