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U.S.-ROK Relations

An Ironclad Alliance or a Transactional House of Cards?

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Negotiations are underway between the United States and the Republic of Korea (ROK) for the tenth Special Measures Agreement (SMA). The SMA is a process to determine the sharing of the financial burden for supporting U.S. military forces stationed in South Korea. Since the first SMA in 1991 the ROK government has provided funding and in-kind support for the salaries of the Korean labor force that supports U.S. forces, logistics support (e.g., utilities), and selected construction projects. However, with the deadline looming to reach an agreement by the end of the year, there does not appear to be a compromise on the horizon due to the high financial demands being made by the United States, including in new categories of support.

Background on the SMA

The SMA has been renegotiated generally every five years. However, the 2019 SMA was only a one-year agreement, and the deadline for the 2020 agreement is December 31. During the current negotiations, it has been reported that the United States demanded the ROK government double its funding or pay 100% of the cost of U.S. forces plus an additional 50%, known as "cost plus 50."[1] A compromise stopgap agreement resulted in an

[1] David Maxwell, "'Cost Plus 50': Welcome to the U.S. Mercenary Force," Defense One, March 13, 2019, https://www.defenseone.com/ideas/2019/03/cost-plus-50-welcome-us-mercenary-force/155495.

8% increase in nonpersonnel cost funding over the previous five-year levels. The funding level for 2019 was $924 million.[2]

The ROK government has traditionally provided funds to support the Korean labor force supporting U.S. Forces Korea (USFK), logistics such as utilities, and selected construction projects. Some 90% of these funds flow directly and indirectly back to the ROK economy. Over the course of the ten SMAs since 1991, negotiations have been tense at times. There have been years when the deadline passed; however, the ROK government continued to provide funding for the Korean workforce. It appears that will not happen in this round. USFK should have sent out 60 day furlough notices in November, though there have been no reports of that to date.

The main issue that complicates the SMA process this year is President Donald Trump's view of alliances. He has been quoted calling allies "freeloaders" and complaining that the United States is getting "ripped off" and that these rich allies should be paying more for U.S. forces that defend their country. Also troubling are his statements that he wants to withdraw troops.[3]

South Korea spends some 2.7% of its GDP on defense, which is higher than any U.S. NATO ally. Its defense spending for procurement alone will rise by nearly another 10.3% next year as it acquires new equipment to prepare for the operational control (OPCON) transition in the coming years.[4] It has spent nearly $20 billion for military procurement from U.S. defense companies between 2012 and 2016 and contributed 94% of the $10.7 billion to construct Camp Humphreys, which is the largest U.S. military installation outside the United States. All this funding is beyond the purview of the SMA. It seems these expenditures would hardly describe a freeloader.

Last, the SMA negotiations with South Korea are a test case for new U.S. demands for burden sharing. Given that Japan and Germany will likely face similar demands, the outcome of the South Korean SMA will provide an indication of what the future holds for these countries.

Why the SMA Negotiations Matter

This issue of burden sharing affects the foundation of the entire U.S. alliance structure. Will U.S. alliances be based on shared interests, values, and strategy, or are they evolving to become purely transactional relationships resting solely on the amount of funding for U.S. forces? The ROK and United States share the values of freedom and individual liberty, liberal democracy, free market economics, and human rights. They share a common enemy in North Korea as well as a strategy of deterrence and defense against it. The ROK also supports the U.S. strategy of a "free and open Indo-Pacific."[5]

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2 Mark E. Manyin, Emma Chanlett-Avery, and Brock R. Williams, "South Korea: Background and U.S. Relations," Congressional Research Service, CRS Report for Congress, IF10165, August 1, 2019, https://crsreports.congress.gov/product/pdf/IF/IF10165.

3 W.J. Hennigan, "'We Reject Globalism.' President Trump Took 'America First' to the United Nations," *Time*, September 25, 2018, https://time.com/5406130/we-reject-globalism-president-trump-took-america-first-to-the-united-nations. See also Everett Rosenfeld and Nyshka Chandran, "Trump Says North Korea Will Keep Its Promises, and the U.S. Will Stop War Games," CNBC, June 12, 2018, https://www.cnbc.com/2018/06/12/trump-and-kim-sign-agreement-document-after-summit-in-singapore.html; and Matthew Pennington, "Trump Talk of Cutting U.S. Forces in Korea Has Rocky Precedent," *Military Times*, August 2, 2016, https://www.militarytimes.com/news/2016/08/03/trump-talk-of-cutting-u-s-forces-in-korea-has-rocky-precedent.

4 Josh Smith, "Analysis-Buying a Big Stick: South Korea's Military Spending Has North Korea Worried," Reuters, September 10, 2019, available at https://www.cnbc.com/2019/09/10/reuters-america-analysis-buying-a-big-stick-south-koreas-military-spending-has-north-korea-worried.html.

5 Jung Da-min, "South Korea Responds to U.S. Call for Support on Indo-Pacific Strategy," *Korea Times*, July 7, 2019, https://m.koreatimes.co.kr/pages/article.asp?newsIdx=272049. See also C. Todd Lopez, "South Korea's Role Key in Advancing Indo-Pacific Vision," U.S. Department of Defense, October 1, 2019, https://www.defense.gov/explore/story/Article/1976115/south-koreas-role-key-in-advancing-indo-pacific-vision.

If there is conflict on the Korean Peninsula, it will have global economic effects. Not only would the largest economies in the region be significantly affected, but the peninsula sits at the nexus of two established nuclear powers, with North Korea now also possessing nuclear weapons. There is also enormous potential for any conflict to escalate throughout the region and beyond given the employment of air and naval power in the Pacific.

The presence of U.S. forces contributes to deterring the North from attacking the South. However, the U.S. alliance structure in Northeast Asia is undergoing significant stress beyond the stalled SMA negotiations. The friction between the ROK and Japan over historical issues has spilled into trade and national security. In August the ROK government announced that it would withdraw from the General Security of Military Information Agreement (GSOMIA) with Japan.[6] Although conditions have slightly improved with the recent meeting between Shinzo Abe and Moon Jae-in, and Moon could reverse his decision to withdraw before the November 22 deadline, this would not remove the challenges to trilateral cooperation on addressing the North Korean threat.[7]

Furthermore, the Trump administration's negotiations with North Korea have stalled due to Kim Jong-un's intransigence and unwillingness to allow substantive working-level negotiations to proceed. It is possible he is assessing domestic politics in both the ROK and United States and the weakening of the U.S. alliance structure, believing that the failure of the SMA could result in the fracturing of the U.S.-ROK alliance and the drawdown or even removal of U.S. troops. This has long been one of the North's major strategic objectives. Kim may believe that he has time to allow this situation to play out, and that if the United States does withdraw troops, his position will be most advantageous. These factors could be contributing to Kim's decision to stonewall working-level negotiations.

Last, while a significant majority of the Korean population still strongly supports the alliance, an even greater majority does not want the government to increase funding for U.S. forces. The government is now in a very difficult position. If it compromises and agrees to a significant increase, it could undermine popular support for the alliance.[8] In private discussions, Korean opposition party leaders stated that they could likely support an increase of up to $2 billion, far short of the United States' opening gambit of $5 billion. U.S. officials wonder privately why the ROK side has not made a counteroffer to the U.S. demand. For their part, South Korean government officials have shared that they are extremely reluctant to counteroffer because they do not want to legitimize the higher U.S. demand and the new categories of support. They also seem to believe that the United States will negotiate a temporary extension if the December 31 deadline is not met.[9]

Even if the negotiators reach an agreement, it will be subject to approval by the National Assembly.

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6 Michael R. Gordon, Andrew Jeong, and Alastair Gale, "South Korea Ends Pact to Share Military Information with Japan," *Wall Street Journal*, August 22, 2019, https://www.wsj.com/articles/south-korea-pulls-out-of-information-sharing-pact-with-japan-11566467522.

7 Min-hee Park and Wan Lee, "Moon and Abe Take Surprise 11-Minute Meeting in Bangkok," *Hankyoreh*, November 5, 2019, http://english.hani.co.kr/arti/english_edition/e_international/915886.html. See also "FM Sees Point in Claims GSOMIA Termination Could Benefit NK, China," Yonhap, November 8, 2019, https://en.yna.co.kr/view/AEN20191108007800325.

8 William Gallo, "Poll: S. Koreans Oppose Trump's Cost-Sharing Demands, but Support Alliance," Voice of America, November 6, 2019, https://www.voanews.com/east-asia-pacific/poll-s-koreans-oppose-trumps-cost-sharing-demands-support-alliance.

9 Author's private meetings with ROK opposition party members and government officials, Washington, D.C., and Seoul, October 2019.

Given the negative sentiment in South Korea toward increased costs, the passage of the agreement cannot be assured.

Current U.S. Policy

Up until the negotiation of the 2019 SMA, the philosophy on burden sharing was to request the host nation to provide funding for stationing. This includes incremental costs over and above the U.S. cost of forces stationed in the continental United States and the requirements to support logistics and facilities. The categories of support have been host-nation labor, logistics, and construction.

According to reports, in addition to demanding $5 billion in funding for U.S. forces, the United States has increased the categories of support from three to six.[10] There has been no publicly released information on how these new demands were determined. Although not confirmed, the new categories appear to be operational support, training and readiness, and troop salaries, which have never been funded by host nations.

"Operational support" is assumed to mean funding for the deployment of U.S. strategic assets to South Korea. An example is the deployment of B-52 or B-1 bombers to support deterrence messaging, but this category may also include port calls for U.S. naval ships operating in the Korean theater. How operational support is defined is critical. Recent press reports of the deployment of the RC-135 Cobra Ball to Japan for surveillance of North Korean targets raise the question of whether the United States might ask the ROK government to fund such deployments.

Furthermore, if the ROK government balks at funding operational support or says no to funding specific operations, this will affect U.S. military operations and capabilities that may be critical for deterrence or early warning of North Korean plans. Conversely, if the ROK determines a need for U.S. assets, will South Korea still be able to request them as long as it pays for the deployment? A new alliance paradigm will be established, and new processes and procedures will have to be developed.

Currently, each country funds training for its own forces. Reportedly, Washington is demanding the ROK government fund the training costs for U.S. forces. It is unknown whether this demand applies only for major combined exercises or for all training on the peninsula. As with funding for operational support, the paradigm being established will require new procedures. Will the ROK government transfer a fixed amount of funds to the United States for disbursement for unit training or will U.S. units need to request funding from the Ministry of Defense? If the latter, would this arrangement give the ROK veto authority over U.S. training? In addition, the United States is demanding funding for the cost of the forces that rotate every six to nine months.

The last new category of support encompasses troop salaries as well as the payment for U.S civilian employees at U.S. Forces Korea. Never before has the United States demanded this type of payment.[11]

The Role of Congress

Congress should consider revising the existing language in the 2020 National Defense Authorization Act that states that no funds will be appropriated to reduce the number of U.S. troops in South Korea below the current level of 28,500 unless the secretary

[10] Hyonee Shin, "A $5 Billion Bill and Japan Tensions in Focus as U.S. Defense Heads Visit South Korea," Reuters, November 13, 2019, https://www.reuters.com/article/us-southkorea-usa/a-5-billion-bill-and-japan-tensions-in-focus-as-u-s-defense-heads-visit-south-korea-idUSKBN1XN09C.

[11] Roh Suk-jo, "U.S. Demands 'Reimbursement' for Defense Costs," *Chosun Ilbo*, November 12, 2019, http://english.chosun.com/site/data/html_dir/2019/11/12/2019111201099.html.

of defense certifies that such a reduction would not harm the security of the United States and its allies. The Department of Defense could immediately cut five thousand troops and the entire ground combat maneuver force in South Korea by not rotating the next brigade combat team when the current rotation ends. Congress should direct the Department of Defense to continue the rotation. It should also consider language to prohibit reduction by attrition whereby USFK individual replacements are not sent to the peninsula. Finally, Congress should require the secretary of defense to conduct a study by a nonpartisan outside agency to assess the security impact before a decision to reduce the force level or alter the force structure is made.

Given the upcoming transition of operational control for the ROK-U.S. Combined Forces Command, Congress should consider requesting that the Department of Defense conduct a comprehensive review to determine the optimal U.S. force structure in South Korea, Japan, and the continental United States to support the command's mission of deterring a North Korean attack and defending South Korea should deterrence fail. This should include a thorough review of the combined military strategy and campaign plans and an assessment of a fair distribution of the financial costs to support U.S. interests.

Finally, Congress should consider language requesting the Departments of State and Defense to provide detailed analysis of the burden-sharing demands made to U.S. allies, including the specific metrics used to arrive at the funding level. It should also consider language that burden-sharing demands can only include incremental costs specifically related to the stationing of troops in the host country, such as host-nation labor, logistics, and construction.

Questions for Congress

- What is the specific U.S. funding demand on the ROK?
- What is a realistic and fair expectation for burden sharing?
- What are the new categories of support and how are they defined?
- What are the metrics and data supporting the U.S. demand for increased funding from the ROK?
- What is the plan if no agreement is reached by the December 31 deadline?
- What will be the impact on readiness and deterrence of North Korea if the SMA lapses?
- Does the Department of Defense have a plan to withdraw 28,500 troops, all military equipment, and military families?
- How long would it take and how much would it cost to withdraw U.S. forces?
- Where will these forces be stationed if withdrawn from the Korean Peninsula?
- What new facilities would be required to station these forces in the United States and how much would these facilities cost?
- Should the U.S. alliance structure be solely transactional?
- Are the transactional SMA negotiations setting a precedent that the United States and its allies will regret in the long term?
- What would be the impact on the U.S. ability to project power and sustain forces in operations around the world if the U.S. alliance structure were dismantled as a result of the shift to a transactional alliance system?
- Should the U.S. military be acting as a quasi-mercenary force in service to another country?

Conclusion

The new U.S. demands on South Korea are a radical departure from past practice. The United States must answer critical questions about the importance of its interests in Northeast Asia and whether it would withdraw forces from the Korean Peninsula if its funding demands were not met. The answers to these questions will determine the relationship with all current and future allies. Is maximum funding of U.S. forces by the host nation the most important criteria for participating in an alliance? Or are the mutual interests of the alliance and the strategic interests of the United States the primary consideration? If it is determined that the United States is shifting to a transactional alliance system, we should expect a collapse of the U.S. alliance structure and the rise of conflict in multiple regions around the world. This round of SMA negotiations and the ones that will follow are thus of paramount importance to U.S. national security and the United States' relations with its allies. ◈

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