

# **The 10<sup>th</sup> Special Measures Agreement between the U.S. and South Korea: Analysis and Implications for Northeast Asia**

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## **Abstract**

The United States and the Republic of Korea concluded the 10<sup>th</sup> Special Measures Agreement on February 10, 2019. The two countries agreed to a one-year agreement after difficult negotiations in which Washington demanded that Seoul increase the amount paid to offset the costs of stationing American forces in Korea. Since 1991, Washington and Seoul have concluded 10 Special Measures Agreements. Unlike the previous five-year agreement, the 10<sup>th</sup> SMA was a “stopgap deal” that covered a one year of bilateral defense budgets with an option of extending the agreement for an additional year; it was the first SMA negotiated by the Trump administration. This article examines the 10<sup>th</sup> Special Measures Agreement, exploring the history of defense cost sharing between the two countries, effects on South Korea, implications for coordinating policy on North Korea, and influences on Japan, Russia, and China. The article concludes with an assessment on how the 10<sup>th</sup> Special Measures Agreement and other factors will affect future agreements.

**Keywords:** South Korea, North Korea, United States, Japan, China, Russia, Mutual Defense Treaty, Status of Forces Agreement, Special Measure Agreements, United States Forces Korea, Cost Sharing, Korean Augmentation to the U.S. Army, Donald Trump, Kim Jong Un,

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## **Introduction**

The Special Measures Agreement (SMA) has had profound impacts to the political, military, economic, and social atmosphere on the Korean Peninsula, as well as in Japan, Russia, and China. To understand the nature of the SMA and its effects on Northeast Asian countries, the past and current political-military atmosphere in the Korean peninsula including

external factors of influence from adjacent countries must be analyzed. In addition, the U.S. and South Korean military cost sharing relations starting from the Mutual Defense Treaty to the 10<sup>th</sup> SMA must be utilized in the analysis. Through this, it will be possible to correlate the effects of the SMA with the political/military environment in the Korean peninsula. Lastly, the future of the SMA and trilateral relations as well as issues on the possibility of an American withdrawal from the Korean Peninsula and Korean Reunification must also be considered as they may have impacts to the current SMA system.

### **Historical Land, Material, and Manpower Agreements**

The U.S. and ROK Governments agreed to the 1<sup>st</sup> SMA in 1991. However, land, material, and manpower have influenced relations between Washington and Seoul since the earliest days of the Korean War. These issues weren't limited to the deployment and stationing of American forces on the Korean Peninsula, but extended to logistical support, pay, and allowances for South Koreans dispatched to Vietnam.

#### ***Early South Korean Support for U.S. Forces in Korea***

On July 14, 1950, South Korean President Syngman Rhee transferred command authority of the ROK Armed Forces to General of the Army Douglas MacArthur, who had been recently appointed Commander-in-Chief of the United Nations Command (UNC) to lead operations against North Korean forces.<sup>1</sup> In addition to placing South Korean units under General MacArthur's command, individual ROK Army soldiers were assigned to American combat units through the Korean Augmentation to the United States Army (KATUSA) Soldier Program.<sup>2</sup> The ROK Government also provided free land for bases for U.S. forces throughout the Korean War.<sup>3</sup>

Following the Armistice Agreement, the two governments signed the Mutual Defense Treaty Between the United States and the Republic of Korea on October 1, 1953. Article IV of the treaty provided the legal basis for stationing American troops in South Korea: "The Republic of Korea grants, and the United States of America accepts, the right to dispose United States land, air and sea forces in and about the territory of the Republic of Korea as determined by mutual agreement."<sup>4</sup> The ROK Government continued to provide land to support American forces stationed in Korea. The KATUSA Soldier Program continued, focusing on training; KATUSA Soldiers served in U.S. Army units then returned to

the ROK Army. In 1957, as part of a major realignment of American forces in the Pacific region, the UNC Headquarters relocated from Tokyo to Seoul. The UNC continued to function as the headquarters for U.S., ROK, and UN Sending State forces on the Korean Peninsula. Concurrently, U.S. Forces Korea (USFK) was established to support the administrative and logistical needs of American forces in the ROK.<sup>5</sup> In 1966, the two governments signed an agreement that allows the USFK free use of land in South Korea for military bases.<sup>6</sup>

### ***U.S. Support for the ROK Forces in Vietnam***

Off the peninsula, Seoul's response to Washington's request to deploy South Korean forces to the Republic of Vietnam was contingent on American financial support. A 1964 National Security Council memorandum to President Lyndon Johnson noted, "The Koreans have not only been willing to send military help to Viet-Nam, but are even anxious to do so, providing we pay the bill."<sup>7</sup> Although Seoul funded the dispatch of a Mobile Army Surgical Hospital and Tae Kwon Do instruction team in September 1964, the U.S. Government provided logistical support to the 34 officers and 106 enlisted soldiers through the Military Assistance Program.<sup>8</sup>

Seoul's 1965 deployment of a 2000-man engineering unit was funded and supported by the U.S. Government. Upon arriving in Vietnam, the U.S. Military Assistance Command, Vietnam (MACV) provided equipment to the Army of the Republic of Vietnam, which subsequently issued these to the noncombatant "Dove Unit." The South Vietnamese Government provided the ROK Marines and soldiers with Class I supplies, including rice, salt, tea, sugar, and shortening; MACV issued supplemental rations and equipment. South Korean diplomats successfully negotiated overseas allowances for deployed servicemen. These allowances, which were paid by the U.S. Government, exceeded the monthly salaries for most South Koreans serving in Vietnam.<sup>9</sup>

Realizing that U.S. President Lyndon B. Johnson wanted South Korea to deploy a combat division to Vietnam, South Korean defense officials presented American negotiators with requirements that needed to be satisfied before the deployment proposal could be submitted to the National Assembly. General Dwight Beach, the Commander-in-Chief of the UNC, described the wish list as "completely unreasonable."<sup>10</sup> as it included a reaffirmation of Washington's security commitments on the Korean Peninsula, modernization of ROK Forces in Korea, substantial

development and technical assistance to Korea, and the provision of all equipment, subsistence, transportation and logistical support to ROK Forces in Vietnam.<sup>11</sup> Nonetheless, Washington agreed to nine of the ten items Seoul requested; the only item rejected was a pay raise for all ROK military personnel.<sup>12</sup> From 1965 to 1970, the U.S. Government paid \$927 million cover the costs associated with deploying South Koreans to Vietnam; the ROK Government received an additional \$546 million for military commodities, construction and service contracts, and commercial exports.<sup>13</sup>

### ***The Guam Doctrine, Troop Withdrawals, and American Demands***

Speaking to reporters on Guam on July 25, 1969, President Richard M. Nixon put forth a change to American foreign policy in Asia. While the U.S. would honor its treaty commitments, the defense of allied nations in Asia would “be handled by, and responsibility for it taken by, the Asian nations themselves.”<sup>14</sup> The president formalized the doctrine—which became known as the Nixon Doctrine—in a speech on November 3, 1969, in which he outlined “three principles as guidelines for future American policy toward Asia.”<sup>15</sup> President Nixon reaffirmed that America would keep its treaty commitments and provide a nuclear umbrella to its allies, but said, “we shall look to the nation directly threatened to assume the primary responsibility of providing the manpower for its defense.”<sup>16</sup>

South Korea soon experienced the implications of this change in policy. In the spring of 1970, Ambassador William J. Porter informed President Park Chung-hee of President Nixon’s intent to withdraw 20,000 American troops from the ROK. Although the U.S. Government maintained a position that the reduction in American forces was not contingent on modernization of the ROK Armed forces, President Nixon requested \$150 million in supplemental appropriations for South Korea’s defense on November 18, 1970.<sup>17</sup>

After months of negotiations, the two governments agreed that the withdrawal of American forces would be accompanied by a Force Modernization Program for the ROK Armed Forces.<sup>18</sup> The agreement was announced on February 6, 1971. The 7<sup>th</sup> Infantry Division withdrew from its frontline position the following year, leaving South Korean forces responsible for the defense of the 155-mile Demilitarized Zone.<sup>19</sup> The withdrawal of the division, along with elements of IX Corps Headquarters, left approximately 40,000 American troops in Korea.

Following the departure of the 7<sup>th</sup> Infantry Division, Secretary of Defense Melvin Laird suggested the withdrawal of two brigades of the 2<sup>nd</sup> Infantry Division by 1974. While consistent with the Nixon Doctrine, the president rejected the proposal. President Nixon feared removing additional American troops from Korea would lead President Park to withdraw the two South Korean divisions from Vietnam, weakening the U.S. Government's position as it negotiated with the North Vietnamese<sup>20</sup> At the time, the Tiger Division and White Horse Division were the principal combat units in Korea following the withdrawal of American forces.

The 1970s were marked by increased American demands for logistical and financial support for USFK, as well as proposals to withdraw all ground troops from Korea. In 1974, Washington requested greater support from Seoul for the storage and handling of U.S. conventional ammunition. The two governments signed a memorandum of agreement that established the Single Ammunition Logistics System-Korea, which covered the "receipt, storage, transportation, accountability, inventory, surveillance, demilitarization, maintenance, security and issue of U.S. conventional ammunition in ROK ammunition depots, ammunition supply points (ASPs) and other facilities."<sup>21</sup> The ROK Army provides the majority of personnel and material handling equipment required to store U.S. Army ammunition to the extent that "U.S. Army ammunition units in the Korean Theater of Operations have significantly fewer organic resources than their counterparts elsewhere in the U.S. Army."<sup>22</sup>

The U.S. Government also demanded greater financial support from South Korea for projects completed under the Combined Defense Improvement program (CDIP). After 1976, the ROK Government also bore the bulk of operational costs for the Joint U.S. Military Assistance Group, Korea (JUSMAG-K).<sup>23</sup> JUSMAG-K had been established on April 1, 1971, consolidating the functions of the Army, Navy, and Air Force Advisory Groups under a single headquarters.

Following the withdrawal of the 7<sup>th</sup> Infantry Division, the ROK Government sought to convince American politicians and policymakers to maintain the 2<sup>nd</sup> Infantry Division in Korea. As part of this campaign, Korean Central Intelligence Agency illegally lobbied members of Congress. Georgia Governor Jimmy Carter seized on the anti-Korea sentiment associated with the Koreagate scandal. From the earliest days of his campaign for the Democratic presidential nomination, he advocated

withdrawing American troops from Korea; he would later expand this to include the removal of nuclear weapons.<sup>24</sup>

Shortly after his inauguration in 1977, President Carter, he put forward a plan to withdraw all American ground forces from Korea. Major General John K. Singlaub, Chief of Staff for USFK, publicly criticized the plan, stating the withdrawal was based on outdated intelligence on the North Korean threat and would likely lead to war. President Carter took the rare step of summoning the general to the White House before firing him.<sup>25</sup> Although the president continued to advocate for his policy, he ultimately suspended his withdrawal plan following recommendations from the Joint Chiefs of Staff based on new assessments of the North Korean threat completed by the Central Intelligence Agency and Defense Intelligence Agency.<sup>26</sup>

The withdrawal of the 7<sup>th</sup> Infantry Division and the threatened removal of the remaining American ground forces had a significant effect on the ROK Government. Describing this sentiment, Professor Ryoo Jae-gap noted, “it was utmost important to keep U.S. forces in South Korea by all means.”<sup>27</sup> In 1983, Seoul agreed to share operational costs of the Combined (ROK-U.S.) Forces Command; the combined headquarters had been established six years earlier and had assumed responsibility for the defense of the ROK from the UNC.<sup>28</sup>

American domestic issues further accelerated the demands for increased cost sharing in the late 1980s and early 1990s.<sup>29</sup> Congressional leaders were concerned about growing budget deficits. Beginning in 1986, Washington asked Seoul for cash payments to support USFK’s operating costs. This led to long and tense negotiation between the two countries. South Korea agreed on directly supporting USFK starting from 1989. President George H.W. Bush suggested the collapse of the Soviet Union would yield a “peace dividend.” As a result, overseas defense spending was reduced and allies were expected to pay a larger share of the costs associated with hosting American forces. Based on the results of prior negotiations, the U.S. and ROK Governments agreed to the first multi-year cost-sharing agreement on Article V of the Status of Forces Agreement (SOFA) in 1991, otherwise known as the Special Measures Agreement.<sup>30</sup>

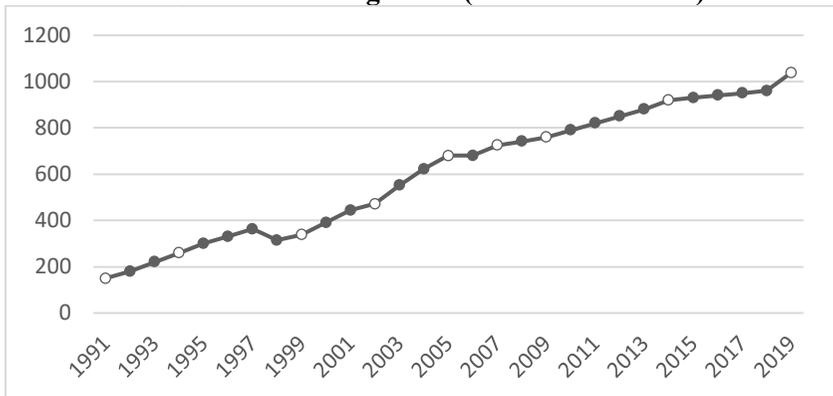
### **The Special Measures Agreement**

Defense cost sharing is a system established by the governments of the U.S. and South Korea to share the defense and security costs of stationing American forces on the Korean peninsula. The SMA is a

subcomponent of the defense cost sharing system. This system includes sharing the burden of resources, including territory, facilities, personnel, and other financial costs associated with defense activities. Defense cost sharing can be divided into two categories: Indirect Support and Direct Support. Indirect Support refers to real estate, taxes, and public utility charge reductions, as well as base relocation costs. Direct Support consists of monetary support to offset the costs of stationing American forces in Korea. SMA direct support, which includes labor expenses, military construction, defense improvement projects, and logistical support. Non-SMA direct support includes real estate, manpower support, facilities support, and other means of support required for defense that were implemented before the first SMA in 1991.

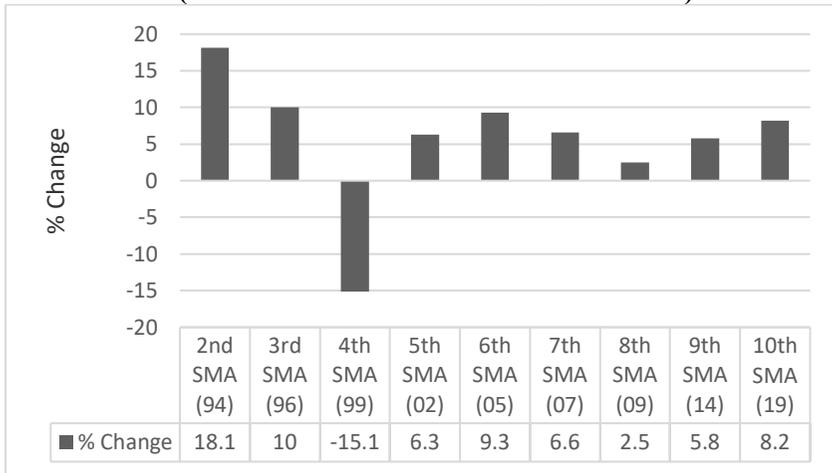
In a more detailed explanation of SMA direct support, labor costs support Korean contractors working on USFK bases; i.e., their basic pay and benefits. Military construction supports the building of noncombat facilities located on USFK bases, including personnel barracks, environmental facilities and supporting infrastructure such as sewage disposal facilities.<sup>31</sup> Additionally, the Combined Defense Improvement Project (CDIP) is part of SMA direct support. CDIP supports the construction of combat and combat support facilities, including runways, hangars, piers, and ammunition storage facilities. As the name implies, facilities funded under CDIP are designed for the combined use by ROK and U.S. Forces. Lastly, logistics covers aircraft maintenance, ammunition storage, and railroad and vehicle transportation.<sup>32</sup>

**Figure 1: South Korea’s Direct Payment for USFK Stationing Costs (Unit: Billion Won)**



**Source: Developed by the author from multiple sources.<sup>33</sup>**

**Figure 2: Percent Increase/Decrease of SMA Budget  
(# SMA / # SMA – Previous Year’s SMA)**



**Source: Developed by the author from multiple sources.<sup>34</sup>**

Figure 2 depicts the changes in the ROK Government’s direct payments under successive SMAs. With the exception of the decline in direct payments in the aftermath of the Asian financial crisis, Seoul’s direct payments have increased with each SMA. However, as Kyung Hee University Professor Chung Jin-young noted, “U.S. demands for increased contributions have been made during a declining U.S. commitment to Korean security.”<sup>35</sup> The 1<sup>st</sup> SMA was being negotiated against the backdrop of the Nunn-Warner Amendment to the 1989 Defense Authorization Act, which mandated a three-phase withdrawal of American forces.<sup>36</sup> Between 1990 and 1992, 7,000 Army and Air Force non-combat personnel were removed from Korea, reducing USFK’s end-strength to 36,000.<sup>37</sup> During this time, the 1<sup>st</sup> SMA was signed with South Korea contributing 150 billion Won, almost double the amount from the cost-sharing budget from South Korea in 1990.

The objective for both the 1<sup>st</sup> and 2<sup>nd</sup> SMA was to increase the amount to gradually increase South Korea’s contributions until they reached one-third of the cost of stationing American forces in Korea.<sup>38</sup> When the 2<sup>nd</sup> SMA was concluded in 1995, South Korea had met the objective; Seoul’s contributions totaled 300 billion Won.<sup>39</sup>

The 3<sup>rd</sup> SMA covered a three-year period from 1996 to 1999. It required South Korea to increase its total contributions by 10 percent each

year from the 1995 base. This was a change from the 1<sup>st</sup> and 2<sup>nd</sup> SMAs, which had sought to cover one-third of the operating costs of USFK. Although South Korea was required to pay the first three SMAs in U.S. dollars, Washington agreed to allow Seoul to pay in South Korean Won following the Asian financial crisis, “which meant some alleviation of the Korean burden.”<sup>40</sup> In addition to the decrease in the SMA budget, an outcome of the financial crisis was that future payments would be denominated in Won.

With the recovery of the Korean economy, negotiators concluded the 4<sup>th</sup> SMA in 1999; the 4<sup>th</sup> SMA covered a three-year period through 2001. Seoul’s contributions were based on South Korea’s economic growth and inflation rate. In the 5<sup>th</sup> SMA budget, which covered a three-year period from 2002 to 2004, An analysis in *The Korea Times* noted, “South Korea’s cash provision increased by 10.4 percent in 2002 and by 8.8 percent plus the GDP deflator for 2003 and 2004.”<sup>41</sup>

The 6<sup>th</sup> SMA budget was unique in that it contained no increase during the two-year period covered by the SMA. For the period 2005 to 2006, the budget stayed the same: 680 Billion won. In the following SMA, South Korea’s agreed payment remained constant. However, Seoul’s overall contribution increased by 16 billion won, which reflected the inflation rate during the period from 2007 to 2008.

An analysis of Figure 2 reveals the correlation between the freeze rates in contributions with the budget decrease in percentage starting with the 6<sup>th</sup> SMA. The last two SMAs increased by an average of 2.5 percent annually; both contained a provision limiting the maximum increase to 4 percent. Negotiators included the provision to reduce the risk of excessive increases resulting from a high rate of inflation.

The 10<sup>th</sup> SMA was concluded after 11 months of protracted negotiations. The five-year 9<sup>th</sup> SMA had expired on December 31, 2018. On February 10, 2019, Chang Won-sam, Ambassador for the Special Measures Agreement Consultation and Timothy Betts, Acting Deputy Assistant Secretary and Senior Advisor for Security Negotiations and Agreements, initialed the one-year agreement. The Ministry of Foreign Affairs issued a press release that belied the difficult negotiations:

As two close allies, the ROK and the U.S. reached an agreement on text of the SMA and Implementation Arrangement under a spirit of mutual respect and trust, following close consultations and coordination through ten formal meetings and various

diplomatic channels. In the process, two sides put utmost efforts to come up with mutually satisfactory, win-win, results.<sup>42</sup>

The delay in reaching an agreement was due to two major reasons: the lack of coordination in the SMA system and Washington's desire to increase Seoul's contribution. The lack of coordination on meetings and agreements between the American and South Korean negotiators caused repeated delays. The two sides addressed this issue by establishing a Joint Working Group on the SMA System Improvement "to have continuous consultation on measures to further improve the current SMA system in the mid- to long-term."<sup>43</sup>

Consultation processes aside, differences over South Korea's contributions to the SMA and length of the agreement led to the delay in concluding the 10<sup>th</sup> SMA. Washington opened negotiations seeking a 150 percent increase—1.44 trillion Won (USD 1.28 billion)—from the previous cost-sharing agreement and an agreement period of 10 years.<sup>44</sup> In contrast, Seoul sought a reduction from its 2018 contribution of 9.62 billion Won; South Korea later offered 9.99 billion Won (USD 889.6 million) with an agreement covering three to five years. For the Moon Jae-in administration, 1.0 trillion Won represented a "'psychological Maginot Line' for the South Korean public."<sup>45</sup> In the end, negotiators agreed to 1.04 trillion Won in a one-year agreement.

### **The Effects of the SMA on U.S.-ROK Relations**

The SMA has an outsize effect on U.S.-ROK relations. From South Korea's perspective, the core issue is Washington's demands for increased contributions to the SMA amidst a declining American commitment to South Korea security. As emphasized throughout this paper, the historical data on ROK contributions to the SMA has increased while the U.S. Government has reduced the number of American troops in South Korea. This leads to two problems. First, many South Koreans think their country's contributions are too burdensome. In a 1999 article published in the Korean language *Journal of Strategic Studies*, Professor Nam Chang-hee of the Korea Institute for Defense Analysis, wrote, "South Korea's contributions as a percentage of its gross domestic product (GDP) and defense expenditure far exceed those of Germany and Japan."<sup>46</sup> He also highlighted that South Korea's support significantly increased compared to the other two countries. During the period from 1994 to 1997, South Korean contributions increased by 32.3 percent per year, while Japanese

support increased only by 5.4 percent and German support decreased by 57.3 percent for the same period.”<sup>47</sup> While dated, the oft-cited article reflects South Korean concerns that they are asked to pay too much to host American forces.

South Korea’s second concern involves its contributions outside of the SMA, which it believes are undervalued or unappreciated. As noted, the ROK Government provides rent-free and tax-free land to USFK; Seoul estimates the value of this support to be about 60 to 70 percent of the 2018 SMA, excluding personnel costs.<sup>48</sup> South Korea funded 93 percent of the \$10.7 billion cost of expanding U.S. Army Garrison Camp Humphreys, the largest American military base outside of the U.S.<sup>49</sup> South Korea was the second largest foreign contributor of military forces during the Vietnam War and the third largest during the Iraq War. The ROK Government also dispatched 60 medics and 150 engineers to Afghanistan.<sup>50</sup> All deployments supported American foreign policy objectives.

Lastly, despite the common mission of deterring North Korea, many South Koreans view USFK and its assigned forces as supporting America’s broader foreign policy objectives in the region and globally. Many defense experts note that USFK supports American interests in Northeast Asia.<sup>51</sup> These concerns were realized when the 2<sup>nd</sup> Brigade Combat Team was deployed from its position south of the Demilitarized Zone to Iraq in August 2004. The three bases used by the brigade were closed and returned to South Korea. The 4100 soldiers completed a year-long deployment in the Sunni Triangle before redeploying to Fort Carson, Colorado.<sup>52</sup>

Because the U.S. and ROK have different interests—regarding North Korea, Northeast Asia, and globally—misaligned views are inevitable; developing common perspectives is a big challenge for the two countries. However, as historian Jang Se-young notes, a strong ROK-U.S. alliance is critical to achieving Washington’s strategic objectives in the region:

For U.S. policymakers, South Korea’s support for U.S. interests in East Asia could prove critical to not only sustaining the United States’ military and economic lead over China, but also to pursuing the Free and Open Indo-Pacific strategy. President Trump recently signed into law the Asia Reassurance Initiative Act, authorizing \$1.5 billion for increasing U.S. security, economic interests

and values in the Indo-Pacific region. But Trump's harsh approach towards U.S. allies could give the wrong signal to Seoul and hinder the further development of U.S. strategic and military ties with South Korea, a central component of U.S. policy in the region.<sup>53</sup>

South Korea's critical role in supporting American interests both on and off the Korean Peninsula requires new thinking about the SMA. Handong Global University Professor Park Won-gon, believes the two countries should consider the cost-sharing as merely a "joint ROK-U.S. fund," discarding the notion South Korean contributions become U.S. funds.<sup>54</sup>

### **Implications for U.S.-ROK Coordination on North Korea**

The main reason behind the defense agreement between the ROK and the U.S. is to deter North Korea. Despite signing the Armistice Agreement, North Korea has continued to provoke South Korea and the U.S. As North Korean capabilities have advanced, the U.S.-ROK alliance and the SMA have become more important. Although Pyongyang's actions have some effect on SMA negotiations, the SMA—as a principal agreement supporting USFK—influences combined actions to deter North Korea. The SMA influences U.S.-ROK coordination on North Korea in two areas: combined (U.S.-ROK) exercises and American troop levels in South Korea.

#### *Combined Exercise Program*

The U.S. and South Korea have been conducting combined exercises for decades. These exercises have sought to enhance interoperability and increase readiness through a combination of Command Post Exercises (CPX) and Field Training Exercises (FTX). Prior to the 2018 Winter Olympics in Pyeongchang, President Moon requested a delay in the annual Key Resolve CPX and Foal Eagle FTX to reduce tensions prior to the games. Both exercises were cancelled to encourage diplomatic talks between the U.S., South Korea, and North Korea.<sup>55</sup> Washington and Seoul later cancelled the Ulchi Freedom Guardian CPX.

Both the Trump and Moon administrations are pursuing better relations with North Korea and have cancelled the exercises to encourage Kim Jong-un to return to the negotiating table. Yet the cancellations occurred against a backdrop in which President Trump has stated that military exercises with South Korea are "a waste of money."<sup>56</sup> The SMA

isn't used to fund combined exercises. Because these statements occurred during SMA negotiations, an article in *Business Korea* speculated that the complaints were designed to put “pressure on the South Korean government ahead of defense cost sharing negotiations with it.”<sup>57</sup>

The larger danger is the Trump administration's linking combined exercises to cost sharing. Routine military exercises are critical to maintaining readiness, strengthening deterrence, and preserving peace on the Korean Peninsula. For the past decade, exercises have been used to prepare for the transfer for Wartime Operational Control from the American-led Combined Forces Command to the ROK Joint Chiefs of Staff. A highly trained and capable force—regardless of who is leading it—is critical to Washington and Seoul's strategic objectives in dealing with North Korea. Viewing the combined exercise program as an additional cost or using it to influence the SMA hurts the interests of both countries.

#### *American Troop Withdrawals*

Previous withdrawals of American forces overshadow all SMA discussions. Two months after the U.S. and South Korea began negotiations on the 10<sup>th</sup> SMA—and a month before his meeting with Kim Jong-un—President Trump directed the Department of Defense to develop options to reduce the number of American troops deployed in South Korea.<sup>58</sup> Senior administration officials, to include U.S. Special Envoy for North Korea Stephen Biegun, said possible reductions would not be a “bargaining chip” in President Trump's talks with Chairman Kim.<sup>59</sup> President Trump has argued that U.S. troop presence in South Korea has been “costly.”<sup>60</sup>

Congress responded to the executive branch actions by restricting the use of funds to reduce troops in South Korea. Section 1264 of the National Defense Authorization Act (NDAA) for Fiscal Year 2019 prohibits the use of any funds appropriated by the NDAA to reduce troop strength on the Korean Peninsula,

. . . unless the Secretary of Defense first certifies to the congressional defense committees the following: (1) Such a reduction is in the national security interest of the United States and will not significantly undermine the security of United States allies in the region. (2) The Secretary has appropriately consulted with allies of the United States,

including the Republic of Korea and Japan, regarding such a reduction.<sup>61</sup>

The prohibitions in the 2019 NDAA only applied to reductions that would take the number of American troops below 22,000. The following year, Congress prohibited the use of NDAA funds for reducing troops below the 28,500 Americans stationed in Korea.<sup>62</sup>

North Korea has long demanded the complete withdrawal of American forces from the Korean Peninsula. This policy has continued through the successive generations of the Kim Family Regime. Shortly after Kim Jong-un succeeded his father, North Korea's state media demanded an end to Washington's "hostile policy," which included sanctions relief, a peace treaty, diplomatic recognition, energy assistance, an end to combined exercises, and the withdrawal of American forces from the Korean Peninsula.<sup>63</sup> Consequently, any suggestion to reduce the number of American troops in South Korea benefits North Korea. Like exercise cancellations, reducing USFK limits American influence in the region.

### **Special Measures Agreement Influences on Japan, Russia, and China**

The SMA's influences extend beyond the Korean Peninsula. Japan, Russia, and China are indirectly affected by the SMA. Like Korea, Japan is home to many U.S. bases and shares the cost of supporting American military personnel through a SMA. While Russia seeks to retain its influence on the Korean Peninsula, Moscow also understands that American forces—which are supported through the SMA—are key to its strategic objectives in the region. In contrast, China views the SMA as a means to support deployed forces and systems that threaten its own interests in Northeast Asia.

#### *Japan: Lessons from South Korea's SMA Negotiations*

No other country is as affected by the SMA as Japan. As a treaty ally of the United States, Japan hosts nearly 50,000 American troops aboard 23 bases. Like South Korea, Japan has a cost sharing agreement with the U.S. to support the stationing of American forces. The Japanese government pays the rent for bases and facilities used by U.S. forces, as well as funds the Facility Improvement Program (FIP). Through SMAs, Japan also funds the labor costs for Japanese workers who support the U.S.

military in Japan, all utility (electricity, gas, water, and sewage) to support American bases, and training relocation costs for U.S. forces in Japan.<sup>64</sup>

As noted, Tokyo's direct and indirect support far exceeds the burden the ROK is shouldering.<sup>65</sup> Neither cost sharing nor the SMA are new to Japan; Washington and Tokyo concluded the first Host Nation Support Agreement in 1978 and the first SMA—which focused on labor cost sharing—in 1987.<sup>66</sup> However, with recent requests to increase South Korea's share in the SMA raises concerns with the prospects of Japan's SMA. The Trump's administration's allegations of "free-riding" allies were not limited to South Korea, but other nations that host American troops, including Japan.

Upcoming cost-sharing negotiations will cover four areas: Labor Cost Sharing, Utilities Cost Sharing, Training Relocations, and the FIP. Although the FIP is not part of the SMA, it will be part of the negotiations.<sup>67</sup> Writing in *The Diplomat*, Michael Bosack, who previously served as Deputy Chief of Government Relations at the Headquarters, U.S. Forces, Japan, stated, "Given the way negotiations have gone with Korea, it is evident that the Japanese government will need to increase the amount it spends on cost-sharing."<sup>68</sup> With that idea in mind, negotiators in Tokyo will have the time to come up with reasonable and attractive options for their American counterparts, who are already positioned to demand an increase.

### *Russia: Preserving its Interests on the Korean Peninsula*

For Russia, American troops in South Korea threaten its interests on the Korean Peninsula. Moscow's participation in the scuttled Six Party Talks underscores Russia's intent to influence events in the Northeast Asia. According to Dr. Stephen Blank, Moscow's Korean policy revolves around three key points:

The first, in keeping with the Kremlin's self-conception as an indispensable global player, is assuring Russian participation in any political process on the Peninsula. The second, stemming from the now-extensive strategic ties between Moscow and Beijing, is reinforcing its alliance with China and further developing ties to both Koreas. The final prong of Russia's approach, and one that has been used to significant effect up until now,

involves blaming Washington for the political impasse that has long prevailed there.<sup>69</sup>

These points summarize the importance of the Korean Peninsula to Russia and its desire to be included in any political process. President Vladimir Putin and Foreign Minister Sergei Lavrov offered to mediate any talks between the U.S. and North Korea in the aftermath of the Trump-Kim summit in Hanoi. However, the lack of follow-on discussions highlighted Moscow's limited options for involvement.

Russia's economic interests on the Korean Peninsula are reflected in its pursuit of large-scale economic projects that have the potential to produce significant economic returns. This is dependent on the political process. Russia risks being marginalized because of a lack of influence in the region. To address this shortfall, Moscow has taken steps to demonstrate its influence in the region. As mentioned, the foreign minister visited Pyongyang to convey Moscow's offer to mediate any discussions with Washington. While there, he also reiterated Russia's desire for railroad and gas pipeline projects that would benefit both countries. Despite these offers, North Korea was unable to make any concrete promises, limiting its response to an exchange of views.

Russia's political and economic interests are based on a policy of preserving peace on the peninsula. Russia has opposed North Korea's nuclear program and voted in favor of UN sanctions. However, Moscow is against the Kim This was observed from their position of disagreeing with North Korea nuclear program. The Kremlin also believes that playing a peacekeeper role in the peninsula can help create a multipolar world that is in Russia's interests. Moscow supports the U.S. role of trying to negotiate with North Korea to achieve peace while demanding a formal to the Korean War, an end to sanctions, and a negotiated peace on the peninsula.<sup>70</sup>

Accordingly, because Washington and Moscow are pursuing similar end states on the Korean Peninsula, the successful conclusion of the SMA, which funds USFK, advances Russia's strategic interest. However, Russia's political and economic interests are limited by America's military presence in South Korea. Thus, Moscow monitors successive SMA negotiations to determine its affects on its political and economic interests within Russia's strategic objective of stability on the Korean Peninsula.

*China: Concerns About the SMA*

Beijing's perspectives on the SMA have always been negative because it threatens China's strategic objectives. Since the earliest days of the People's Republic of China, political and military leaders have viewed the presence of American forces on the Korean Peninsula as a threat to China. Because the SMA supports the cost of these forces, Beijing has a negative view of the agreement. The decision to deploy the Terminal High Altitude Area Defense (THAAD) Ballistic Missile Defense System (BMDS) highlights China's concerns about American forces and systems in Korea, exposes South Korea's dependence on trade with China, and underscores the U.S.'s challenges in negotiating the SMA.

The Chinese Government has opposed the deployment of the THAAD BMDS since it was announced in March 2017. While deployed to defend against North Korea's ballistic missiles, the ability of the system's X-band radars to look deep into China has been a concern of Beijing. As the U.S. began deploying THAAD, Foreign Ministry spokesman Geng Shuang warned that China would "take the necessary steps to safeguard our own security interests, and the consequences will be shouldered by the U.S. and South Korea."<sup>71</sup>

In mid-April, the THAAD BMDS was set up on the Lotte Skyhill Country Club; the conglomerate had agreed to provide the land for the system. This led to numerous issues between China and South Korea. Chinese media encouraged the consumers to boycott South Korean companies, tourism officials paused trips to South Korea, and the Chinese Government initiated tax audits of Lotte stores; the Government later suspended operations at the majority of Lotte outlets in China.

While Seoul provided the land for the THAAD BDMS, Washington paid the operational costs. From the outset, the U.S. Government intended to use the SMA as a means to pay for some of the costs associated with deploying the system. In a statement supporting the testimony of the Commander of the U.S. Pacific Command to the Senate Armed Services Committee on April 27, 2017, General Vincent K. Brooks, Commander, USFK, wrote, "The Agreement also provides much-needed flexibility to respond to the changing security environment and shift funds toward emerging requirements such as the THAAD site improvements."<sup>72</sup>

At the outset of negotiations for the 10<sup>th</sup> SMA, the Trump administration demanded the ROK Government pay for THAAD's operational costs of the system.<sup>73</sup> Although the details of the talks have not been revealed, American negotiators mentioned the system at the outset and have demanded significant increases from their South Korean

counterparts; the ROK Government ultimately agreed to an 8.2 percent increase.<sup>74</sup> Including THAAD in future SMA negotiations—either for base improvements or operating costs—will continue to elicit sharp responses from China.

### **Future SMA Negotiations**

Because the 10<sup>th</sup> SMA covers a single year, negotiators have begun preparing for the 11<sup>th</sup> SMA. This has implications for the defense budgets of both countries. Although there were difficulties in negotiating the 10<sup>th</sup> SMA and differing views that delayed the signing of the agreement, achieving consensus on the 11<sup>th</sup> SMA and future agreements shouldn't be as challenging. As noted, agreements to improve the administration of the SMA process should facilitate negotiations.

While there are multiple scenarios for the next SMA, analyzing historical data from previous agreements and taking to account the current political environment, it is possible to assess likely outcomes. Foremost, the Trump administration will likely demand an increase in the ROK Government's contributions. As shown in Figure 1, with the exception of the Asian financial crisis, South Korean contributions have steadily increased over the years. Absent events of a similar magnitude, it is difficult to envision Washington asking less of Seoul in future negotiations.

Aside from China, it is unlikely that other countries in Northeast Asia will influence the 11<sup>th</sup> SMA negotiations. Beijing's historic concerns with American forces on the Korean Peninsula and current anger at the THAAD deployment will affect relations with Seoul. China will continue to exercise its economic leverage to address its security concerns, including those funded through the SMA. Japanese diplomats will likely face the same demands as their South Korean counterparts when they begin negotiating to renew their SMA in 2020. If Washington is able to extract greater support from Tokyo, it will demand the same level of support from Seoul. As noted, Russia is neutral on the SMA, desiring to remain influential in the region while believing that USFK supports its strategic objectives of peace and stability on the Korean Peninsula.

The Moon administration's views of North Korea will play a major role in the outcome of future SMAs. Like his predecessors, President Moon must balance relations with Washington and engagement with Pyongyang. However, President Moon has taken a different approach to

North Korea than his immediate predecessors. Shortly after assuming office, President Moon declared he would “‘inherit’ an engagement-based, inducements-oriented Sunshine Policy approach” with North Korea to bring back unity between the separated nations.<sup>75</sup> President Moon’s desire to engage Pyongyang may make it easier to push back against Washington’s demands, particularly if the Trump administration requests even greater contributions from Seoul.

## Conclusion

Analyzing the SMA and historical trends in cost-sharing between the U.S. and South Korea shows that the agreement not only shapes the political, military, and economic relations between the two countries, but also affects other powers in Northeast Asia, including China, Japan and Russia. Although there have been occasional disagreements between Washington and Seoul, the SMA benefits both countries and remains a centerpiece of the long-lasting alliance between the U.S. and South Korea. Absent the agreement, bilateral relations would suffer; it would be more difficult for both countries to achieve their strategic objectives in the region without the support and commitment that is reflected in the SMA. Despite tension in the talks, Washington and Seoul must ensure that disputes that occur during SMA negotiations don’t affect the broader alliance.

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