

MONETIZING THE LINCHPIN: TRUMP'S FOREIGN POLICY VERSUS THE U.S.-KOREA ALLIANCE'S VALUE TO WASHINGTON

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EXECUTIVE SUMMARY

The Trump administration's increased emphasis on the cost of the U.S.-South Korea alliance has called into question its appreciation of Seoul's contributions and raised concerns about the future of the relationship. Amid this uncertainty, this paper highlights key, yet underappreciated benefits that Washington receives from a strong alliance with Seoul.

The cost-centric approach being applied to the U.S.-South Korea relationship follows an overarching trend in U.S. foreign policy under Trump, which the paper terms as "trading intangibles for tangibles." In effect, the White House greatly underestimates the intangible value of longstanding U.S. foreign policy norms, often leveraging them—and in doing so, undermining them—in favor of short-term economic gains. Though intrinsically more difficult to quantify in dollars, intangible aspects of U.S. foreign policy have much greater financial and economic value to the United States. Consequently, and counterproductively, the Trump administration's approach may actually prove to challenge the U.S. financially, even in areas where the economy isn't directly involved, such as the U.S. alliance system.

In the case of South Korea, Washington is putting its alliance credibility—consisting of deterrence against Pyongyang and assurance with Seoul—on the line by attempting to extract major financial concessions from Seoul, chiefly through military burden-sharing negotiations. The annual \$5 billion contribution the U.S. is reportedly asking South Korea to agree to by the end of the year is a steep jump from the just under \$1 billion Seoul agreed to earlier in the year. However, this annual \$5 billion is dwarfed by what strong alliance credibility with Seoul provides Washington, which is at risk from the Trump administration's intensified focus on cost. Still, the challenge remains that the nature of these benefits makes them difficult to quantify in dollars.

To bridge this gap, the paper recontextualizes existing monetary figures across an array of areas to illustrate a baseline value of the key security benefits Washington enjoys through a strong U.S.-South Korea alliance—essentially, "tangibilizing" the intangibles. Though the actual list of benefits is far more expansive, the three explored in the paper are: preventing the return of armed conflict on the Korean Peninsula, fostering foreign policy convergence on the Korean Peninsula, and supporting common values in the Indo-Pacific.

Benefit #1: Preventing the Return of Armed Conflict on the Korean Peninsula

At the core of the alliance is its mission to defend against and deter a North Korean attack on South Korea. Should deterrence collapse, resulting in war, the cost of war would represent the forgone benefits of credible deterrence. In effect, pre-existing cost estimates of a potential war on the peninsula serve as a proxy for what effective deterrence on the Korean Peninsula helps provide to Washington in dollar terms. From the review of existing estimates, a conservative estimate of the potential cost to the U.S. from a second Korean War is **\$2 trillion**, and thus represents the lower bound of what effective deterrence from the alliance can be said to be saving Washington. Yet, the U.S. gets much more out of the relationship than preventing war, particularly given South Korea's successful democratic transition, as well as its embrace of market principles and internationalism.

Benefit #2: Fostering Foreign Policy Convergence the Korean Peninsula

Security assurances from Washington have helped to foster convergence between the two allies in key foreign policy areas, namely policy towards North Korea and China. Regarding North Korea, constraint exercised by Seoul to adhere to international sanctions, represented by money that would otherwise be spent, is a tangible representation of additional leverage over North Korea gained by Washington. There are certainly factors at play other than U.S. security assurances, namely the threat of retaliatory sanctions from violating current UN sanctions, that have led Seoul to not break with Washington on North Korea policy. However, they are part of the larger risk of causing an outright break in the security alliance with Washington, which Seoul has repeatedly eschewed. In this light, under the Moon administration, South Korea can be said to have contributed at least **\$900 million** toward building leverage over North Korea. Further, this figure would greatly increase if the international environment shifted to allow for economic engagement with North Korea.

On China, the Trump administration plans to spend billions in Asia to empower countries in the region to combat Chinese coercion. However, not only does South Korea not require such assistance from the U.S.—though it remains susceptible to Chinese pressure—it has taken at least **\$25 billion** in losses to its economy in order uphold the U.S.-supported status quo on the peninsula.

Benefit #3: Supporting Common Values in the Indo-Pacific

Moreover, though South Korea is reluctant to join U.S.-led initiatives in the Indo-Pacific for fear of provoking China, Seoul's parallel engagement in the region amplifies Washington's efforts, as it seeks to promote the same values. In the security realm, South Korea's **\$12.5 billion** of military hardware exports to the region since 2000 have

helped to limit Chinese and Russian influence. The South Korean defense industry is also well suited to meet the needs of regional partners that may not be looking for the more advanced, higher cost technologies produced by the American defense industry. In the economic realm, South Korea's at least **\$8 billion** in official development assistance (ODA) since democratization has worked towards the same ends as corresponding U.S. efforts, promoting the rules-based order without drawing from American coffers.

As its cost-centric approach is calling the U.S. commitment to the alliance into question, the Trump administration risks trading away at least tens of billions, though more likely trillions, of dollars from these intangible benefits in favor of the few billion increase it is seeking through the military burden-sharing talks. There are innumerable other ways Washington could solicit greater South Korean financial contributions without putting American credibility on the line, but to pursue it any other way is not a risk worth taking.

INTRODUCTION

U.S. officials have long referred to South Korea as the linchpin of security and stability in Asia. Washington's alliance with Seoul plays a key role in upholding U.S. interests and values in the region, which have generally aligned with the international rules-based order. Although the Trump administration continues to refer to South Korea as the linchpin of the regional security architecture in Asia, its increased emphasis on the financial cost of the alliance has raised concerns about the state of the relationship moving forward.

Since President Trump was elected, the United States has more assertively pushed for South Korea to pay more into the military relationship. Though this pressure has been slowly building since 2017, it has boiled over in the second half of 2019. Negotiations for the eleventh Special Measures Agreement (SMA)—determining how much Seoul would contribute to the non-personnel costs of hosting U.S. troops—have been particularly contentious. After agreeing in early 2019 to increase its contribution by 8.2% in a single-year deal, rather than the usual multi-year agreement, South Korea faced a request later in the year to further raise its SMA spending by 400% before the December 31 deadline. The U.S. demands have been met with widespread public condemnation in South Korea, including calls for the government to rethink long-held norms in the relationship.

However, South Korea is not alone in being on the receiving end of a cost-oriented shift in U.S. foreign policy. While Seoul's situation is most often compared to that of other allies facing similar demands from Washington, there are also similarities with changes in how the U.S. addresses a range of other global issue areas, such as trade and the environment. The different approach towards South Korea follows an overarching trend in U.S. foreign policy under Trump, which this paper terms as “trading intangibles for tangibles.”

Whereas previous administrations adhered to a bipartisan set of principles concerning American leadership, Trump's break with this precedent is perhaps the most defining characteristic of his foreign policy. Since the end of World War II, U.S. presidents were committed to Washington's leadership abroad, as it was seen to underpin significant value to the U.S., however hard to quantify in dollars. Trump, however, greatly underestimates the intangible value of U.S. foreign policy norms, often leveraging them—and in doing so, undermining them—in favor of short-term tangible gains. Yet, the intangible aspects of U.S. foreign policy effectively have much greater medium- to long-term financial and economic value to the United States.

This paper attempts to illustrate what is potentially at stake for the U.S. from the way this approach is being applied to the alliance with South Korea. It does so by highlighting three key benefits Washington receives from maintaining a strong alliance relationship with Seoul and recontextualizing existing monetary figures to illustrate a baseline value for each one—essentially, “tangibilizing” the intangibles. Though the actual list of intangible benefits the U.S. enjoys from the alliance with South Korea is far more expansive, the three explored in the paper are: preventing the return of armed conflict on the Korean Peninsula, fostering foreign policy convergence on the Korean Peninsula, and supporting common values in the Indo-Pacific. But first, the paper describes the current shift in U.S. foreign policy, how it is affecting the alliance, and the two pillars of U.S. alliance credibility.

THE TRUMP APPROACH: TRADING INTANGIBLES FOR TANGIBLES

From Truman to Obama, U.S. Presidents furthered the post-war liberal international order, despite wide swings in policy directions between, and even within, administrations. The long-term benefits underpinning liberal norms were viewed as outweighing short-term costs for the United States.

Though there is ongoing debate as to the definition of the international liberal order and the extent of its benefits,¹ this does not detract from the fact that previous administrations in Washington generally operated within a band of policy options that kept the U.S. committed to a global leadership role.² This was, of course, not a purely altruistic endeavor. To promote liberalism abroad was seen as an extension of promoting American values, and, therefore, American interests, which in turn entailed economic benefits to the U.S. Perhaps the earliest example of this is the Marshall Plan to re-build war-torn Europe. The \$13 billion in aid delivered to European allies between 1948 and 1951 was to stem the tide of communism, but it also opened new markets for American exports, contributing to a post-war boom in the United States.³

This not to say that past presidents always followed precedent. Administrations have, at times, taken unilateral measures of global consequence to meet what they viewed as U.S. interests.

Perhaps the most significant example of this was President Nixon's decision to end convertibility of the U.S. dollar to gold, effectively changing the foundation of the international monetary regime. Faced with a mounting trade deficit and concerns about the supply of dollars held abroad relative to U.S. gold holdings, Nixon closed the gold window in 1971, after attempts to resolve the issue with governments holding large amounts of dollar debt were unsuccessful. Though the decision was effectively unilateral, the solution and its aftermath was multilateral. The ten-country Smithsonian Agreement initially attempted to set new fixed exchange rates. Once that collapsed and exchange rates began to float, macroeconomic cooperation did not subsequently subside, but rather shifted.⁴ The International Monetary Fund (IMF) rewrote its Articles of Agreement to maintain relevance, and new forums, such as the G7, G8, and later the G20—all of which the U.S. played a major part in shaping—emerged to help foster cooperation.

Trump's fundamental rejection of this longstanding dynamic is perhaps his administration's most defining foreign policy characteristic. His “America First” foreign policy takes aim not just at the opposition party, but also at the bipartisan consensus that the benefits of U.S. leadership abroad outweigh the costs which has broadly shaped U.S. foreign policy since the end of World War II. Rather than judiciously reviewing past policies to gauge what was and wasn't working, Trump is by all accounts throwing the baby out with the bathwater in many foreign policy areas.

On trade, the administration has not only disavowed Washington's traditional role as the driver of higher standard rules, but is arguably dismantling key structures of the global trade regime. After withdrawing the U.S. from the Trans-Pacific Partnership (TPP) on his first day in office, Trump threatened to terminate two existing Free Trade Agreements (FTAs)—the North American Free Trade Agreement (NAFTA) and the United States-Korea Free Trade Agreement (KORUS). Ultimately, he decided to renegotiate both. These renegotiations—alongside negotiations for a “mini-deal” with Tokyo—were largely undertaken to more aggressively leverage U.S. market power.⁵ The administration is also threatening to devalue security exemptions built into international trade law through implementing tariffs on steel, aluminum, and possibly autos, under Section 232 of U.S. trade law. Perhaps most importantly, however, Trump has threatened the viability of the World Trade Organization (WTO) on the grounds that it undermines American sovereignty.⁶

On global climate change, Trump began the process of withdrawing the U.S. from the Paris Climate Accord, famously quipping “I was elected to represent the citizens of Pittsburgh, not Paris.”⁷ This decision was underpinned by the desire to be free from the fetters of the agreement—though completely voluntary—to pursue economic growth on the U.S.' own terms, particularly in industries such as coal, that would be most impacted by the deal.

On alliances, Trump has leaned hard on partners to contribute more to their defense. While it is certainly not unusual for Washington to ask allies to pay more,⁸ Trump has taken this to new levels. Unsatisfied that many NATO members were not spending enough on defense, Trump threatened to leave the alliance if their “bills” were not paid.⁹ He also challenged the core purpose of the organization by questioning if it was worth defending member-state Montenegro.¹⁰ This perspective has also been applied to allies in Northeast Asia. With South Korea, Trump has repeatedly threatened to withdraw American troops stationed there, questioned the value of joint military exercises, and requested that Seoul massively increase its annual payments in burden-sharing negotiations. Though Tokyo has not yet been caught in Washington’s crosshairs on this issue, it will soon be in the same position as NATO and South Korea.¹¹ The White House has attempted to quell growing concerns among allies by adopting the mantra of “America First does not mean America alone,” but to little effect.¹² Allies continue to be more concerned with new efforts designed to extract more money from them, with limited assurances from Washington that their best interests will be taken into consideration.

Though a disparate set of issues, the above actions all follow the same general approach by the Trump administration (Table 1). In each case, the White House is prioritizing

tangible gains—objectives that are much easier to quantify in dollars—at the expense of intangible values—long seen as worth upholding but much harder to quantify. The intangibles at stake vary from issue to issue, but the tangible objectives are all centered on maximizing short-term economic gain. On trade, the White House is risking the stability of the rules-based system to protect certain American industries, many of which would otherwise be struggling, such as coal, steel, and manufacturing. Withdrawing from the Paris Climate Accord emphasizes a policy of economic growth with limited regard for sustainability. The dogged pursuit of increasing financial contributions from allies risks degrading U.S. credibility. In effect, the Trump administration is exploiting the gap between the actual value of various foreign policy norms—to include both the intangible and tangible—and their face value.

The chief shortcoming of this approach is that the administration is greatly undervaluing intangibles in its foreign policy. Though intrinsically more difficult to quantify in dollars, intangible aspects of U.S. foreign policy effectively add much greater medium- to long-term financial and economic value to the United States. Consequently, and rather counterproductively, the Trump administration may be challenging the long-run prospects for the U.S. economy even in areas where the economy isn’t directly involved, such as the U.S. alliance system.

Table 1. Structure of Trump’s Foreign Policy Approach of “Trading Intangibles for Tangibles”

| | Major Action Taken | No Major Action Taken |
|------------------------------------|---|---|
| Trump’s Foreign Policy | Disruption Examples: <ul style="list-style-type: none"> • TPP • Paris Agreement • Iran Agreement • China Policy | Threat of Disruption Example: <ul style="list-style-type: none"> • Alliance system |
| Past U.S. Foreign Policy Precedent | Continuity w/ Trump characteristics Example: <ul style="list-style-type: none"> • Negotiations with North Korea | Continuity Examples: <ul style="list-style-type: none"> • Counterterrorism • Support for Saudi Arabia |

Note: Trump’s foreign policy approach as defined by the author assigns greater worth to tangible values over intangible ones, contrasting with past precedent that assigned greater worth to intangible values

This is perhaps best exemplified by Washington’s alliance with Seoul. Though the relationship was built on a traditional security partnership which continues to have value for both sides, the importance of South Korea for the U.S. today is far more expansive. As a likeminded advanced economic and democratic country, South Korea works with the U.S. on a broad range of issues across the globe. This includes cooperation on counterterrorism, cybersecurity, global health, outer space, and information and communication technology.¹³ Seoul’s significance to Washington is still more

expansive when considering how South Korea contributes to regional stability, serves as a development and democratic success story for other countries to follow, and could serve as a logistical hub for the U.S. to address conflicts in other places in the region. Yet, despite all of this, the Trump administration risks undermining these and other wider benefits in the relationship with South Korea by putting the credibility of the U.S. as an alliance partner on the line to elicit more short-term financial contributions from Seoul.

HOW THE APPROACH IS BEING APPLIED TO THE U.S.-ROK ALLIANCE

Trump's perspective that allies are not contributing enough for their own defense is among his oldest public foreign policy stances. In September 1987, Trump published advertisements in *The New York Times*, *The Washington Post*, and *The Boston Globe* calling for "Japan, Saudi Arabia, and others" to pay for U.S. protection.¹⁴ Though South Korea avoided a direct reference in the 1987 ad, it would take only three more years for Trump to publicly name Seoul as one of the "others" taking advantage of Washington.¹⁵ Similar comments from Trump leading up to his presidential bid indicated the issue would not be going away.

During the 2016 presidential campaign, Trump not only raised his concern that South Korea was not paying enough into the military alliance with the U.S., but also indicated he would be willing to cast aside long-standing tenets of U.S. foreign policy in order to cut costs. On the basis of cost alone, Trump often stated he would be willing to withdraw American troops stationed in South Korea if Seoul would not contribute more to its defense, citing various strengths of the South Korean economy as a pretext.¹⁶ He further indicated that in lieu of the American military he would support South Korea and Japan pursuing a nuclear weapons program in the face of the North Korean threat, contradictory to U.S. global nonproliferation efforts.¹⁷

This outlook has been a driving force of Trump's approach towards South Korea since the onset of his presidency. During his first few months in office, Trump took issue with how the recently deployed Terminal High-Altitude Area Defense (THAAD) missile defense system was being paid for, despite Beijing's ongoing economic retaliation against Seoul over the move. The decision to deploy the THAAD battery to South Korea was made under the auspices of the alliance, to protect South Korea against a North Korean missile strike. Washington agreed to pay for the hardware and Seoul agreed to pay for the land and upkeep. In late April 2017, Trump suggested he wanted to revise the original terms of the agreement by asking South Korea to cover the \$1 billion invoice for the THAAD battery.¹⁸ Then-National Security Advisor H.R. McMaster quickly responded that the U.S. was not looking to revisit the deal as a means to quell concerns from Seoul.¹⁹ Although the issue of how THAAD would be paid for has been put to rest, it has not stopped Trump from using the issue to emphasize that South Korea is not paying enough.²⁰

Over the course of 2017, Trump continued to criticize U.S. defense spending in South Korea, mainly in the context of the KORUS FTA renegotiations, but elevated the issue in early 2018. Leaked remarks from a private fundraising event in March suggested he was considering withdrawing troops because "we lose money on trade, and we lose money on the military."²¹ Over a month later, *The New York Times* reported he had asked the Pentagon to draw up plans for

withdrawing troops from South Korea just months before a scheduled summit with Kim Jong-un. Some argued this would allow Trump to make a deal with North Korea and address financial concerns, but at the expense of the U.S.-ROK alliance.²² Trump denied the story, yet made a different strategic decision heavily influenced by cost considerations when he suspended U.S.-ROK joint military exercises at the Singapore summit with Kim Jong-un in June. Trump claimed it was "inappropriate to have war games" when negotiations with North Korea were underway, which North Korea appreciated. But he went on to say, "The war games are very expensive; we paid for a big majority of them." Citing their cost, he also stated, "I want to get our soldiers out. I want to bring our soldiers back home...that's not part of the equation right now. I hope it will be eventually."²³ The decision was heavily influenced by Trump's own cost-driven mentality; Seoul and even the Pentagon were reportedly not consulted.²⁴ Trump's cost-focused approach towards South Korea, however, has been most evident in military burden-sharing negotiations.

Special Measures Agreement

In the early 1990s, Washington and Seoul institutionalized a process to ensure that the non-personnel costs of United States Forces Korea (USFK)—such as base upkeep and maintenance—would be split, in an agreement officially known as the Special Measures Agreement (SMA). This was authorized under a 1991 revision to the original Status of Forces Agreement (SOFA) signed by the two countries in 1966 outlining the treatment of American soldiers in South Korea. To ensure that ROK contributions kept up with rising costs—due to inflation, potential shifts in USFK posture, and other changes—the two sides renegotiated the SMA every few years since 1991. These talks were fairly difficult, as is generally the case when dealing with money in any relationship, with Washington asking for greater contributions and with Seoul attempting to show that it gives more than it is credited for. Yet, as demanding as these negotiations may have been previously, they were never as much of a challenge to the foundation of the alliance as they have been under Trump.

While Trump unilaterally ended U.S.-ROK joint exercises and was openly talking about drawing down USFK in the first half of 2018, the U.S. and South Korea were in the early stages of renegotiating the SMA set to expire at the end of the year. As agreed under the previous terms, South Korea paid 960 billion won (about \$860 million) in 2018 to help offset the cost of the 28,500 U.S. troops stationed there.²⁵ According to USFK, this sum amounted to about 41% of their non-personnel costs.²⁶ Rather than seeking a roughly 10% increase to achieve parity, the Trump administration reportedly was seeking a 50% to 100% jump from Seoul.²⁷ Not only did this represent a major rise from the 5.8% increase when the deal was last revisited in 2014, but it was also at least more than double the highest previous increase of 25.7% in 2002.²⁸

Although the negotiations were held behind closed doors, by all accounts the driving force behind Washington's new position was Trump's changed calculus. In addition to covering more than half of the stationing costs, the U.S. reportedly asked for South Korea to cover the deployment of strategic assets to the Peninsula, and Trump publicly claimed that Seoul would pay for the resumed joint military exercises.²⁹ Matching Trump's rhetoric, the ROK Ministry of Foreign Affairs claimed the demand for higher contributions was not based on any new strategic reasoning from Washington, but was intended to correspond with the "ROK's national status and economic power."³⁰

The new U.S. demands were met with widespread concern in Seoul. As opposed to the limited publicity in the U.S., there was broad media coverage of the negotiations in South Korea, much of which portrayed Washington as unfairly squeezing Seoul for money, and not recognizing the significant contributions Seoul was making to the alliance. Numerous studies and commentaries emerged to quantify how much Seoul was otherwise paying into the relationship, including factors such as paying over 90% of the higher than \$10 billion base relocation costs from Yongsan to Camp Humphreys, imports of U.S. military-related goods, and free rent granted to USFK. Members of the South Korean National Assembly—ultimately responsible for ratifying the new SMA—also came out in staunch opposition to the U.S. position. South Korean arguments, however, did not sway the White House.

Even though the two sides were ultimately able to reach a deal in February, the agreement was a stopgap measure and the issue has reemerged as a much greater obstacle for the alliance in 2019. In an effort to address cost-sharing before the Trump-Kim summit in Hanoi at the end of the month, the two sides reached a compromise in early February. The U.S. backed down from a January demand that Seoul increase its payment by 40%, agreeing instead to an 8.2% increase from South Korea in exchange for the agreement being revisited annually.³¹

This measure proved to be only a short reprieve for Seoul, as less than 6 months later Washington was asking for much more in the upcoming round of talks. In late July, the Korean newspaper *JoongAng Ilbo* reported that Washington would be asking Seoul to pay \$5 billion in 2020, a nearly 400% jump from what Seoul had just agreed to pay in 2019 after publicly contentious talks.³² Trump tweeted about the cost-sharing issue with South Korea soon thereafter, stating Seoul "now feels an obligation" to pay more to Washington.³³ News surrounding the SMA negotiations during the second half of 2019 have generally confirmed the originally reported \$5 billion, a figure that remains the target for U.S. negotiators.³⁴ That Trump would continue to press Seoul is not surprising, but the scope of the new asking price in the current iteration of SMA talks stands to take a greater toll on the alliance, as evidenced by the recent cacophony of disagreement from South Korea.³⁵ It also suggests that the issue could drag

through the remaining years of the Trump presidency or until it reaches a breaking point.

In effect, the SMA process provides an institutionalized means through which Trump can pursue his approach of trading intangibles for tangibles, with U.S. credibility in Seoul as the key intangible variable. By frequently raising the potential of U.S. troop withdrawal, criticizing joint exercises over price concerns, and demanding major increases in contributions from Seoul with limited consideration for other strategic factors, the White House has raised widespread questions about the health of the alliance in South Korea.

Trump has also raised flags in Congress. The 2019 and 2020 National Defense Authorization Act were designed to limit the White House's ability to draw down USFK by tying Congressional funding for troop withdrawal to the secretary of defense affirming that (1) the decision is in the security interests of the U.S. and its allies in the region, and (2) allies have been appropriately consulted.³⁶ The congressional reaction highlights that the administration's process is the key cause for concern, as the statutes seek only to ensure that strategic considerations are incorporated into a major decision on the force posture of USFK—rather than to advocate for any number of possible end-states.

As much as Trump has bypassed strategic considerations in order to maximize short-term economic gains with the SMA, those critical of his approach have, arguably, not gone far enough to highlight the value of the intangibles of the relationship. Many have highlighted the tangible benefits South Korea brings to the alliance—such as covering the vast majority of base relocation costs and the lower cost of stationing American troops in South Korea than at home. They often also argue that the intangible benefits are just as important, yet stop short of providing a sense of their possible material worth. Although difficult to quantify, these intangibles underpin economic value to the United States. As any alliance will not always be a given, for one side to openly undermine its credibility is, thus, putting the underlying economic value at risk. Moreover, as the remainder of the paper will illustrate, the economic value of U.S. credibility in the alliance with South Korea is much greater than what Trump could conceivably extract from Seoul in the SMA talks.

ASSESSING THE ECONOMIC VALUE OF THE INTANGIBLES IN THE U.S.-ROK ALLIANCE FOR WASHINGTON

Making sense of the economic worth of U.S. credibility in the alliance with Seoul to Washington is as necessary as it is difficult to definitively state. A 2013 RAND report commissioned by the Pentagon to review U.S. global force posture as Washington planned to drawdown troops in Iraq and Afghanistan remarked, "Overseas posture provides several strategic benefits that can be valued only qualitatively through expert judgment, informed by the available theory, evidence, and experience."³⁷ While this thinking applies to

inputs in the policy-making process, this paper presents the case, to a degree, for quantitatively representing the outputs. Not doing so, as evidenced by the Trump administration's approach, risks underestimating or even ignoring the security benefits Washington receives from basing U.S. troops overseas as part of larger alliance structures.

Consequently, calculating key intangible values of the U.S.-ROK alliance—not just the multitude of unaccounted for tangible values—is needed to more accurately depict the scale of the benefits Washington reaps from the relationship. The purpose of the remainder of the paper is not to provide exhaustive, airtight numerical representations of qualitative aspects of the relationship, nor is to advocate that the current structure of the alliance is necessarily the most optimal. Rather, it is to show, on more equal terms, what the cost-centric process currently utilized by the Trump administration is risking by generally assessing what U.S. credibility provides in dollar terms. This is inherently difficult for negotiators in the SMA talks to account for, and, admittedly, outside the scope of the talks. However, this does not mean these values do not exist, nor that they will be unaffected by the proceedings of the SMA discussions. To carry out the process of “tangibilizing” the intangibles, the paper will recontextualize publicly available figures from a variety of areas related to U.S.-South Korea ties, placing them within the lens of U.S. alliance credibility. However, it is first necessary to define the two major qualitative aspects of U.S. alliance credibility—deterrence and assurance.

The Intangibles: Deterrence and Assurance

The alliance between Washington and Seoul has its origins in the Korean War, when the U.S. led a coalition of United Nations forces to intervene on behalf of the South after the North invaded in June 1950. The U.S.-ROK Mutual Defense Treaty signed in the aftermath of the conflict in 1953—enshrining's Washington commitment to come to Seoul's aid in case of an attack—has since served as the foundation of the security partnership. It is through this agreement that U.S. troops continue to be based in South Korea.

The 28,500 American service members now stationed in South Korea simultaneously serve to deter North Korean aggression and to assure Seoul of Washington's commitment to its defense. Having troops based in South Korea advances these dual ends more than if they were located in the United States. On deterrence—the basis of which rests upon perceptions of military power and political will—having U.S. troops in South Korea demonstrates Washington's willingness to get involved in a conflict on the Korean Peninsula again as well as its ability to quickly project power. Maintaining the credibility of deterrence, however, also requires regular signaling of willingness to defend South Korea, such as through annual joint military exercises.³⁸ Assurance is the mirror-image of this, illustrating to Seoul that Washington is committed to its defense, in turn discouraging Seoul from making different choices that could cause its broader strategic direction to veer away from the United States.³⁹

South Korea's capabilities to defend itself against the North Korean threat have manifestly improved since the inception of the alliance, yet Washington and Seoul remain committed to a U.S. military presence in South Korea. In recognition of these changes, administrations in recent decades have discussed and planned for the transfer of operational control (OPCON) of South Korean forces in war time—which would be led by an American commander under the current arrangement—back to Seoul.⁴⁰ Further, amid questions in South Korea regarding the need for American troops on the peninsula after a peace agreement with North Korea,⁴¹ U.S. and South Korean officials have reaffirmed that this is a bilateral issue to be worked out separately between the two allies.⁴²

Essentially, both sides have acknowledged there is room to shape the military relationship based on the evolving situation on the peninsula. The number of U.S. troops in South Korea has gradually diminished over time without a corresponding weakening of support for the alliance, which suggests that any future personnel reductions would not automatically trigger a rift between the two countries.⁴³ The current U.S. force posture configuration on the peninsula could even, conceivably, be reduced while perceived to be buttressing Washington's commitments to Seoul and its deterrence against Pyongyang. However, a crucial factor in determining the potential impact of any change in U.S. military presence on the underlying security benefits it provides, is the process through which it is carried out.

Any change in force posture, or even any threat of change that is perceived as believable, without due consideration to deterrence and assurance, stands to undermine both. Deterrence is difficult to measure, as the only definitive way to gauge it is once it has failed. But, reaching such a point could be extremely costly. As such, any decision made on the status of U.S. forces on the Korean Peninsula that underestimates the value of deterrence, risks all that it helps to underpin. If Washington were to undertake such a move without the consent of Seoul, or even without consultation with Seoul, it would further risk the benefits of assurance.

It is in this context that the Trump administration's current approach towards the military alliance with South Korea ultimately poses a challenge for the United States. Though there were nine successful SMA negotiations before Trump took office, there is nothing to suggest that Washington was willing to risk the security benefits of the alliance, as Trump is perceived to be doing. Whether this is a negotiating tactic is increasingly less salient as Trump continues to demonstrate the willingness and ability to follow through on demands across a variety of foreign policy areas, similarly leveraging intangibles for tangibles. Broader international events are lending greater credibility to short-term cost considerations outweighing all others for Washington in the alliance with Seoul. With this in mind, the following sections attempt to provide insights into three of the most important benefits that deterrence and assurance provide to Washington in dollar terms.

PREVENTING THE RETURN OF ARMED CONFLICT ON THE KOREAN PENINSULA

Should efforts to deter the North from attacking the South fail, the Korean Peninsula could again be embroiled in armed conflict. It remains unclear how aggressive Kim Jong-un is willing to be to meet his goals on the Korean Peninsula, but the return of armed conflict is unlikely to be driven solely by Pyongyang. White House posturing on North Korea in 2017—which included talk of a “bloody nose” first strike, and promised “fire and fury” if Pyongyang made additional threats against the U.S.—is reported to have inadvertently drawn the countries close to all-out war at the time.⁴⁴ While the U.S. and North Korea sharply turned away from mounting tensions in 2017 towards diplomacy in 2018 and 2019, this does not mean both sides will stick to this course in perpetuity. Similar to 2017, mixed signals regarding the U.S. commitment to defend South Korea have the potential to unintentionally reignite military aggression on the peninsula.

The return of war on the Korean Peninsula could occur in numerous ways and the course of any such conflict could follow innumerable paths. In the vast majority of all the possible scenarios, the U.S. and South Korea would ultimately prevail, but costs—in terms of blood and treasure—would be enormous. Consequently, focusing on the range of pre-existing cost estimates of a potential war on the peninsula, regardless of the exact circumstances of getting to such a point, can serve as a proxy for estimating the value to Washington of effective deterrence on the Korean Peninsula. In other words, should deterrence collapse, resulting in the outbreak of war, the cost of war would represent the opportunity cost of credible deterrence.

Recent overseas engagements help to provide a baseline for what the military operations of a second Korean War could cost the United States. Since September 11, 2001, through the end of 2018, the Department of Defense has stated it has accrued over \$1.5 trillion in war-related obligations. Included in this figure is \$762 billion for the war in Iraq, \$745 billion for the war in Afghanistan, and \$28 billion for homeland defense operations.⁴⁵ These numbers, however, underrepresent the total cost of war in recent decades to the United States. The Department of Defense Office of Inspector General found that recent cost of war reports issued by the Pentagon contained “systemic problems” leading to “inaccurate” reporting.⁴⁶ Moreover, these government figures also do not account for other war-related costs, such as healthcare and reconstruction.⁴⁷

Others have attempted to more accurately depict the cost of these wars by including additional relevant factors in their calculations—all of which have revised the numbers upwards. A March 2013 study by Linda Bilmes at Harvard University estimated that the wars in Iraq and Afghanistan will cost the U.S. between \$4 and \$6 trillion, when considering indirect costs, including healthcare for veterans.⁴⁸ A July 2017 report by Anthony Cordesman at the Center for Strategic and

International Studies assessed that the total direct spending on these wars would be over \$1.9 trillion by the end of 2018, putting the real cost “well over \$2 trillion” when accounting for other factors.⁴⁹ A November 2018 study by Neta Crawford at Brown University asserted that the U.S. would be spending \$5.9 trillion through the end of fiscal year 2019.⁵⁰ The 2018 Brown study examined many of the same areas as the 2013 Harvard study, but expanded the scope by assessing other factors, such as homeland security spending and interest payments on financing the wars.

As expensive as these wars have been, there seems to be an almost unanimous consensus that a conflict with North Korea would be far more costly. While there are a number of qualitative differences that could make the direct costs of war with Kim Jong-un higher than Iraq and Afghanistan—such as North Korean artillery batteries that could inflict tremendous damage on Seoul in the early stages of a conflict and their biological and chemical weapons—the most significant is North Korea’s possession of nuclear weapons.⁵¹ Even assuming that North Korea would not launch a nuclear attack on U.S. territory during a war, the use of nuclear weapons on the peninsula would dramatically raise the cost of warfare and eventual reconstruction. Additionally, because South Korea is such a large, globally integrated economy, the indirect economic costs to the U.S. from such a conflict on the peninsula would be immense.

Periods of heightened tension and uncertainty on the Korean Peninsula in the past, particularly in 2017, have led to numerous assessments of what a second Korean War could cost the U.S. more broadly, which further help to gauge the value of credible deterrence in the U.S.-ROK alliance. Of the two allies, South Korea would assuredly take the brunt of the hits in a war on the peninsula. In a 2010 report, Bruce Bennett of the RAND Corporation estimated that if North Korea attacked Seoul with a 10 kiloton (Kt) nuclear weapon—regardless of whether it would lead to war or not—it could cost South Korea \$1.5 trillion over ten years.⁵² Given that all of the variables measured to reach this figure—GDP, wealth, and population—have since grown, as of 2019 the total cost would likely be over \$2 trillion.⁵³ Moreover, the last nuclear device North Korea tested, in September 2017, was estimated to be 250 Kt, capable of inflicting far more damage than a 10 Kt weapon.⁵⁴

Regardless of the extent of the U.S. military response, major disruptions to the South Korean economy would be felt throughout the U.S. economy. The Economist Intelligence Unit gauged that a war on the Korean Peninsula near the end of 2017 would have resulted in the forecasted U.S. GDP growth of 2.7% in 2018 dropping to 1%, about a \$330 billion decrease in just one year. Part of this calculation stems from the effect on bilateral economic ties.⁵⁵ In looking at the impact on U.S. agricultural and auto production—two key areas in the economic relationship with South Korea—the report

suggests that over 20,000 agricultural jobs would be destroyed and 25,000 jobs in the auto sector would be lost in the first year of a war.⁵⁶ However, a large part of any adverse bearing on the U.S. economy from war on the peninsula, which other assessments have expounded upon, stems from South Korea's size as well as from its embeddedness in global value chains and financial markets.

South Korea's GDP of \$1.6 trillion in 2018 ranked twelfth in the world, representing about 1.9% of global GDP.⁵⁷ A 2017 study by Gareth Leather and Krystal Tan of Capital Economics found that the Korean War caused South Korean GDP to fall by over 80%, which, if this scale was applied today, would result in global production dropping by 1.52%. Yet the real impact would likely be much higher considering South Korea's significant share of global intermediary trade and importance to crucial industries, such as semiconductors.⁵⁸ South Korea's semiconductor industry has the second-most production capacity in the world at 21%, just behind Taiwan's 22%.⁵⁹ Any disruption to South Korean semiconductor supply chains in the course of war could have major downstream implications for a range of goods.

In addition to the military operations-related costs and lost output for the U.S. economy, the increased unification costs and decreased ability of South Korea to contribute to these expenses must also be considered. Cost estimates of unification have ranged widely, from \$50 billion to \$9 trillion over a varying number of years. However, as Chung-min Lee and Kathryn Botto of the Carnegie Endowment for International Peace point out, these figures would rise dramatically following a military conflict, and would be "astronomical" if nuclear weapons were to be used. In such a

scenario, South Korea's capacity to contribute to post-conflict stabilization efforts, let alone unification, would be severely constrained.⁶⁰ Moreover, the Capital Economics report suggested that if the U.S. spent a proportionate amount on reconstruction in Korea as it did in Iraq and Afghanistan, it could increase the national debt by 30%.⁶¹ Given the unique challenges of stabilizing a post-war Korean Peninsula⁶² and the likelihood that Seoul's ability to fund reconstruction across the Demilitarized Zone would be significantly undermined by war, it seems likely that Washington would need to foot quite a large bill in the aftermath of the conflict.

Taken altogether, the return of a full-scale war on the Korean Peninsula could easily cost the U.S. \$2 trillion, though it would likely be much higher (Table 2). Consequently, credible deterrence on the Korean Peninsula, which the presence of U.S. troops contributes to, can be said to be saving Washington at least \$2 trillion.

As much as deterrence is saving Washington, as suggested above, Seoul admittedly stands to lose much more from another war on its soil—a point which is surely not lost on Trump as he pushes for South Korea to pay more in bilateral burden-sharing negotiations. Yet, the U.S. gets much more out of the relationship than preventing war. The impetus for the alliance may have been to stem the tide of communism in Asia, but since the end of the Cold War, South Korea's successful democratic transition, embrace of market principles, economic standing, and shift towards internationalism,⁶³ have made it a much more important partner for the United States. This particularly rings true considering Washington's growing concerns over Beijing's rise as well as its efforts to shape North Korea's path forward.

Table 2. Conservative Estimate of What a Second Korean War Could Cost Washington

| Cost | Description |
|----------------------------|--|
| \$1 trillion | Direct military-related costs |
| \$500 billion | Indirect economic impact |
| \$500 billion | South Korea's decreased ability to contribute to reconstruction in North Korea and unification |
| Total: \$2 trillion | |

Note: Based on author's review of estimates in the available literature, assuming nuclear weapons are not used

FOSTERING FOREIGN POLICY CONVERGENCE ON THE KOREAN PENINSULA

Maintaining a military presence in South Korea also helps Washington reassure Seoul of its adherence to defense commitments, in turn fostering convergence between the two allies in key foreign policy areas. Whereas through deterrence troops can be thought of as safeguarding existing value and preventing onerous new costs, via assurance they can likewise

be seen as contributing to maintaining and even helping to create new value through encouraging a shared policy direction in the alliance. Military assurance, however, is not the only force pushing the two countries together. Today, they share many of the same values⁶⁴ and South Korea is among the countries most dependent on the liberal international economic order which the U.S. was instrumental in establishing and upholding.⁶⁵ Though it is difficult to gauge the marginal value of U.S. security assurance in pushing the

policy trajectories of Seoul and Washington closer together, it nonetheless plays a significant role. Moreover, at a time when other areas in the relationship are also being challenged, each factor upholding the alliance has become more important.

The importance Seoul places on the military relationship with Washington is best illustrated by the endurance of the alliance during the tenure of South Korean presidents who have ostensibly questioned it the most. Washington's support for authoritarian leaders in Seoul during the Cold War, particularly after the 1980 Gwangju uprising, led many left-leaning, pro-democracy South Koreans to be highly critical of the alliance. After the transition to democracy in 1987, these activists formed the base of South Korea's political left. Skepticism of the U.S. remained, peaking during widespread anti-American protests in 2002, but successive Democratic Party administrations have furthered the military alliance, despite concerns to the contrary.

Taking office in 1998, President Kim Dae-jung continued the second SOFA renegotiations initiated under his conservative predecessor, even going so far as to urge Washington to quickly update the agreement to stem growing anti-American sentiment.⁶⁶ Roh Moo-hyun became president at the height of pushback against Washington in South Korea, but still reaffirmed his commitment to the alliance soon after winning the election.⁶⁷ In 2004, he deployed 3,600 soldiers—the third largest contingent after the U.S. and UK—to assist coalition efforts in Iraq.⁶⁸ His advocacy for OPCON—which has yet to come to fruition due to considerations on the ground—continues to be advanced cooperatively and constructively today.⁶⁹ After two overtly conservative presidents, anti-Washington concerns re-emerged with the election of Moon Jae-in,⁷⁰ but he has frequently reaffirmed support for the alliance.

North Korea Policy

North Korea policy is one of the areas where alliance-driven policy convergence has benefitted Washington the most in recent decades. Save for the first two years of Kim Dae-jung's presidency, the Blue House has been occupied by engagement-oriented progressive presidents when more hard-lined leaders have been in the White House. While this has certainly led to tense moments between leaders, the importance of the alliance has helped to set boundaries for otherwise enthusiastic engagement agendas. As a result, constraint exercised by Seoul, represented by money that would otherwise be spent, can be said to be a tangible representation of leverage over North Korea gained by Washington, at least in part, through the strength of its reassurance.

This is further emphasized by lax sanctions enforcement from North Korea's neighbors that not only do not have an alliance with the U.S., but are also increasingly working together to push back against Washington.⁷¹ The 2018 UN Panel of Experts report listed Chinese and Russian entities and individuals as among the most assiduous partners helping North Korea to

evade sanctions—with China mentioned 140 times and Russia 30, in the 148-page document.⁷² These activities significantly undercut Washington's "maximum pressure" campaign to leverage a deal in its favor with Pyongyang.

Regardless of whether the overall economic pressure the U.S. is currently attempting to bring to bear on North Korea will be enough, South Korea's contribution to this leverage should not be taken for granted. While all UN members are obliged to follow UN Security Council sanctions on North Korea, South Korea's adherence stands out by virtue of its goal of unification, and therefore its greater incentive to invest in and develop the North. Although recent conservative presidents have tended to be more skeptical of North Korean intentions, they have nevertheless emphasized its importance, with Park Geun-hye even referring to it as a "bonanza."⁷³ But, it is constraint from progressive presidents who have tended to be more optimistic towards reconciliation with the North, and who have thus been willing to take greater chances on economic engagement projects, which allows us to better gauge how much this contributes to U.S.-led pressure on Pyongyang. This is evident most recently by Moon Jae-in's postponement of inter-Korean economic projects during Kim Jong-un's turn to diplomacy in the past two years.

At Moon and Kim's first summit, in April 2018, both leaders agreed to take steps toward connecting rail links on the east and west coasts of the peninsula, with Seoul taking on the added responsibility of helping to modernize the North's rail system.⁷⁴ Yet, as of December 2019, there has been no substantive progress towards this end, other than a railway survey,⁷⁵ despite allocations in the government budget for such projects. Within the Inter-Korean Cooperation Fund, 270 billion won (\$300 million) was ear-marked for economic projects in 2018, 429 billion won (\$353 million) in 2019, and the amount will be raised to 489 billion won (\$403 million) in 2020.⁷⁶

Additionally, in their second meeting, in September 2018, Moon and Kim agreed to reopen the Kaesong Industrial Complex (KIC)—closed by Park Geun-hye in 2016 in response to North Korea's fourth nuclear test—when conditions were "ripe."⁷⁷ In its last year of operation, Seoul is estimated to have paid \$120 million to Pyongyang for the North Korean laborers working for South Korean companies in the KIC. As there was never any transparency after the money was sent to North Korea, it has been widely assumed that the state held on to the vast majority of the sum.⁷⁸ Moon expressed an interest in re-opening the KIC during his presidential bid and has frequently raised re-opening the complex as a measure to advance talks between Pyongyang and Washington. But, much like the rail project, there has been limited progress.

As inter-Korean projects are being delayed with an eye to U.S.-led international sanctions, they also serve as inducements for Pyongyang to follow a path more acceptable to Washington. The scope of these inducements could be worth much more

to the U.S. should a diplomatic breakthrough be reached with North Korea. To use the rail project as an example, even though the Moon administration has allotted a few hundred million dollars for joint economic programs in recent years, completing the inter-Korean rail project could cost as much as 43 trillion won (\$38.7 billion).⁷⁹ Despite the size of this commitment and other similar endeavors, Moon remains committed to mobilizing large-scale funding for inter-Korean economic projects.⁸⁰ From Washington's perspective, this potential South Korean spending should be viewed as resources that would not need to come from the U.S., but would nevertheless serve U.S. interests.

To be certain, there are other factors at play besides U.S. security assurances, namely the threat of retaliatory sanctions from violating current UN sanctions, that have led Seoul to not break with Washington on North Korea policy. However, the threat of violating sanctions is part and parcel of the larger risk of causing an outright break in the security alliance with Washington, which Seoul has repeatedly illustrated it does not want. As Scott Snyder from the Council on Foreign Relations has framed it:

“At times, South Korea has been tempted to pursue autonomous roles beyond the framework provided by the U.S.-ROK alliance both to deal with a declining North Korea and to manage China's rise. However, South Korea's need for the United States as the enabler of its success, as its best insurance policy, and as its primary security guarantor has tempered its moves toward an independent foreign policy.”⁸¹

This commitment to the alliance has likewise benefitted the U.S. in how South Korea has approached and coped with a rising, and more assertive China under Xi Jinping.

Autonomy from Chinese Interference

The core of the Trump administration's policy in Asia is predicated on balancing against a rising China. Through its free and open Indo-Pacific (FOIP) strategy, the administration is seeking to empower regional partners, ensuring their sovereignty and freedom to pursue competition-based economic growth against a China that is “seek[ing] to advance their parochial interests at others' expense.”⁸² The U.S. is pursuing this through the strategy's three pillars: economics, governance, and security. As part of this effort, the administration states it has so far provided \$4.5 billion in foreign assistance to the region and increased assistance to the region by 25% during its first three years in office, compared to the last three years of Obama's term.⁸³

Although South Korea has not formally endorsed this strategy, assurances from Washington have helped to embolden Seoul to push back against coercion from Beijing to maintain the same “free and open” values. South Korea's dependence on China as an economic partner and as a partner to resolve the North Korea issue has led Seoul to be more cautious in joining initiatives that could be perceived as anti-Beijing.

Nevertheless, South Korea's appreciation for the values it shares with the U.S., as well as Washington's commitments to defend those values, are factors that have led the Moon government to seek a balance between the two powers. This echoes the challenges facing many other countries in the region, which also place value on both relationships for different reasons, and which do not want to be forced to make a choice between Beijing and Washington.⁸⁴

Whereas the Trump administration is dedicating more resources to other partners in region, it does not need to do the same for South Korea—considering its economic standing—to promote U.S. interests in the region. Yet, this does not mean South Korea is impervious to Beijing's coercion efforts. This is perhaps best demonstrated through Chinese economic retaliation over the THAAD deployment, costing the South Korean economy billions of dollars.

While several sectors were particularly impacted—including automakers and cultural content producers such as K-pop—the direct impact of Beijing's politically driven reprisal is most readily discerned through the drop in Chinese tourism and the losses incurred by Lotte, which provided the land for THAAD. China's ban on domestic companies from selling group tours to South Korea resulted in a 48% drop in the number of Chinese visiting South Korea in 2017.⁸⁵ Though the numbers have been rising in 2019, there have been 2 million fewer Chinese visits through October than during the same period in 2016.⁸⁶ This sustained drop in tourism is estimated to have cost over \$24 billion in lost revenue.⁸⁷ For Lotte, Beijing's ire for assisting with the THAAD deployment led to boycotts of its supermarkets throughout China as well as stores closing over “fire-safety” issues that were never resolved. The company announced in 2018 that it would be closing its supermarket business in China, reporting losses of \$1.7 billion between January 2017 and June 2018.⁸⁸

In effect, not only has South Korea not required monetary assistance from the U.S. to maintain autonomy against Chinese interference, but it has taken on at least \$25 billion in losses—likely more, considering that other sectors were also negatively influenced—in order to maintain the U.S.-supported status quo. Even though the 2017 “three noes” agreement between Seoul and Beijing—ostensibly to end the retaliation—raised questions about South Korea leaning away from the U.S., it has had a minimal real impact.⁸⁹

Much as it has helped foster Seoul's closer positioning with Washington on North Korea policy, U.S. assurance has been key to South Korea pushing back against Chinese influence, advancing Washington's interests on the peninsula. Combining some of the tangible representations as outlined above, Washington can be said to have directly gained or saved at least about \$26 billion towards its objectives on the Korean Peninsula through the U.S.-ROK alliance in the past few years (Table 3). As much as this furthers the Trump administration's larger FOIP strategy, South Korea's own engagement with the region amplifies Washington's efforts.

**Table 3. South Korea's Costs/Contributions Towards Foreign Policy
Convergence with the U.S. on the Korean Peninsula (2016-2019)**

| Cost/Contribution | Description |
|---|---|
| <i>North Korea Policy</i> | |
| *\$900 million | Leverage over North Korea from adherence to international sanctions since 2016 |
| <i>Autonomy from Chinese Interference</i> | |
| \$25 billion | Cost to South Korea from Chinese economic retaliation over the THAAD deployment |
| Total: \$25.9 billion | |

*This figure would greatly increase if the international environment shifted to allow for economic engagement with North Korea

SUPPORTING COMMON VALUES IN THE INDO-PACIFIC

Although South Korea is more reluctant to officially join U.S.-led initiatives in the Indo-Pacific for fear of provoking China, trust in the alliance allows parallel activity in the region to largely advance U.S. interests. Conservative and progressive South Korean administrations alike have embraced taking on more responsibilities in regional and global capacities in recent decades, albeit for different underlying reasons. Roh Moo-hyun's conceptualization of South Korea as a middle power stressed the country's role as regional balancer. Lee Myung-bak's "Global Korea" placed greater emphasis on international development and on elevating participation in global institutions, which Park Geun-hye's "Trustpolitik" built on.⁹⁰

Currently, Moon Jae-in's "New Southern Policy" (NSP) is an extension of the outward-facing aspirations in the Indo-Pacific, focusing on many of the same areas such as development in South and Southeast Asia. It may be predicated on decreasing economic and security dependence on China and the United States, respectively, but it augments Washington's own pursuits in the region. The "three P's" of the NSP—people, prosperity, and peace—mirror the three pillars of the FOIP.⁹¹ Consequently, the Trump and Moon governments are actively trying to seize opportunities for cooperation on their similar regional goals. This has so far led to a September 30 memorandum of understanding between their respective aid agencies as well as a November joint statement on working together on various issues, such as governance and law enforcement programming.⁹² However, even when Seoul and Washington are not directly working together, they can still promote one another's interests.⁹³

Arms Sales

South Korea's defense cooperation in the Indo-Pacific is expansive and growing. Areas like joint military exercises and intelligence-sharing agreements all contribute to South Korea's stronger security ties with regional partners, which experts argue is in the interest of the United States.⁹⁴ However,

the most straightforward way to measure how this security cooperation benefits Washington is through arms sales.

As of 2018, South Korea is the eleventh largest arms exporter in the world, with exports rising by 94% from a decade prior.⁹⁵ However, as a 2019 RAND report points out, "Korean arms sales are rarely undertaken in coordination with the United States or with the aim of supporting or reinforcing regional order."⁹⁶ Instead, the defense industry has been promoted by the Blue House as a means to diversify sources of economic growth, with growing exports to Southeast Asia more reflective of the demand in those countries.⁹⁷ Continued support from the Blue House for expanding defense industry exports to the region is reflected under the peace aspect of the NSP.⁹⁸

While South Korean arms sales are not coordinated with the U.S., South Korean defense industry exports generally fill a gap left by U.S. producers and help to shore up American objectives. As the 2019 RAND report states, "South Korea's defense exports are largely helpful for building up capacity among regional actors who may not need or be able to afford or effectively operate high-cost, high-end U.S. military hardware."⁹⁹ The report later concludes, "Seoul's arms sales and co-development with partners in Southeast Asia help undercut continuing Russian influence in that region while also representing an obstacle to Chinese efforts to build influence through arms sales."¹⁰⁰

Since 2000, the South Korean defense industry has exported or invested at least \$12.5 billion in military hardware for regional partners (Table 4). These companies have proven competitive in a range of areas, including naval ships, military aircraft, small arms, artillery, and ground combat vehicles. The largest markets in the region for South Korean defense goods are Indonesia, India, and Philippines. In addition to this trade and investment, the South Korean government has further helped distribute its military hardware through transfers. One of the most notable examples is the recent donation of a *Pohang*-class corvette to the Philippines, which Philippine Fleet commander Rear Admiral Giovanni Carlo Bacordo claimed is now "the most powerful ship" in the Philippine Navy.¹⁰¹

Table 4. South Korean Defense Industry Exports to or Investment in the Indo-Pacific Region (2000-2019)

| Transaction Amount by Partner (US dollars) | Description of contract or investment |
|--|---|
| <i>India</i> | |
| \$1 billion | Local version of South Korea's K-9 155mm self-propelled artillery for the Indian Army (2015) |
| \$1.5 billion | Five fleet-support ships (2015) |
| \$448 million | Two strategic operating vessels (2015) |
| <i>Indonesia</i> | |
| \$50 million | One hospital ship (2000) |
| \$60 million | Seven KT-1 Woongbi basic training jets (2003) |
| \$60 million | Upgrades to two Type 209 diesel-electric attack submarines (2004) |
| \$150 million | Three Makassar Class Landing Platform Docks (2004) |
| \$70 million | Armored personnel carriers and K-21 Infantry Fighting Vehicles (2010) |
| \$1.1 billion | Three Type-214 submarines (2011) |
| \$400 million | Sixteen T-50i Golden Eagle trainer/combat aircraft (2011) |
| *\$7.1 billion | Agreement to co-develop KF-X advanced fighter, with Indonesia agreeing to provide 20% of the cost. (2012) |
| \$90 million | Three KT-1B Woongbi trainer aircraft and upgrades to existing T-50i Golden Eagle (2018) |
| \$1.02 billion | Three Type 209 diesel-electric attack submarines (2019) |
| <i>Philippines</i> | |
| \$331 million | Two 1,4-ton Incheon-class frigates (2016) |
| \$360 million | Twelve F/A-50PH light attack fighters (2017) |
| \$148 million | Factory to produce bulletproof helmets and vests (2017) |
| \$25 million | Upgrade work to the Philippine Navy (2019) |
| \$15 million | Factory to produce ammunition (2019) |

* Jakarta has missed scheduled contributions and plans to reduce its financial stake in the project.

Source: Various news reports and the data from the Stockholm International Peace Research Institute, <https://www.sipri.org/databases>.

Official Development Assistance

South Korea has not just helped to arm regional partners, it has also been an important player in actively contributing to their economic development along the lines of the existing rules-based order. South Korea has free trade agreements with ASEAN, Australia, India, China, New Zealand, Singapore, Vietnam, and is one of the signatories to the Regional Comprehensive Economic Partnership. Major South Korean conglomerates are also heavily invested in the Indo-Pacific. For instance, Samsung Electronics has invested \$17 billion in Vietnam alone and is the country's largest exporter.¹⁰² Seoul has also directed billions of dollars in official development assistance (ODA) to its emerging economy neighbors.

Joining the OECD's Development Assistance Committee (DAC) in 2010, South Korea is among the world's largest providers of ODA. It is also the only country to have undergone the transformation from net aid recipient to DAC member. A 2018 peer-review of Korea by DAC stated,

“As a former recipient country and now a significant provider of ODA in its own right, Korea leads by example, bringing its direct knowledge and expertise to bear on how aid can drive economic and human development. As a result, Korea's role in development co-operation is highly valued...”

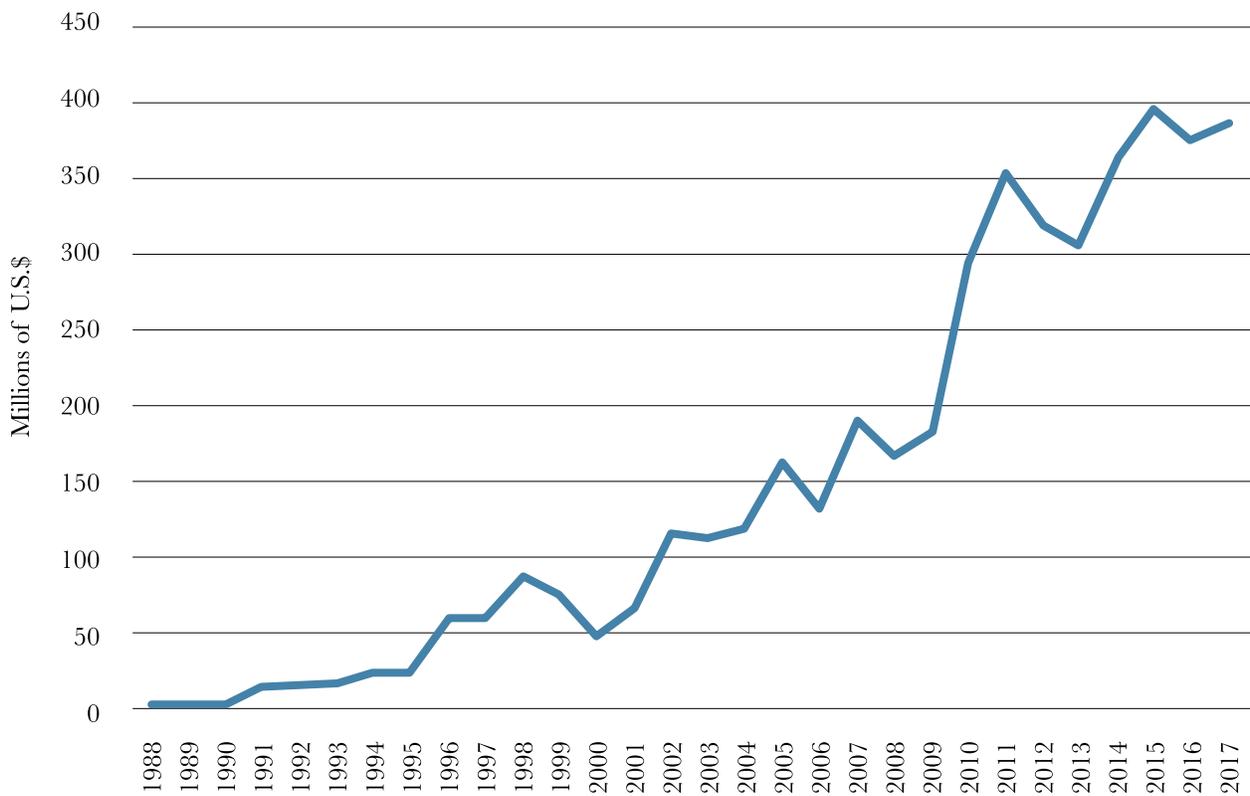
The report also highlighted the importance of South Korea’s private investment, noting that financial flows from South Korea to developing countries are six to eight times larger than its ODA, mostly going to Asia-Pacific countries.¹⁰³ Much like arms sales, even though South Korean ODA is not coordinated with Washington, because it is carried out along the same values, it still helps to advance similar U.S. goals in the region.

From the country’s democratization through 2017, South Korea gave a net \$6.2 billion in ODA to the Indo-Pacific region.¹⁰⁴ As Figure 1 illustrates, there was growing interest in offering development assistance to the region in the years

leading up to the Lee Myung-bak administration, but ODA took off once he entered the Blue House, coinciding with the larger trend of higher aid. Additionally, within the overall picture of South Korean aid during this period, its Asian neighbors were the highest priority (Figure 2).

President Moon has furthered this trend of raising total ODA, with an emphasis on the Indo-Pacific. Since the start of his term in 2017, South Korea has committed 2.7 trillion won or about \$2.3 billion to the region.¹⁰⁵ Aid to Asia as a percentage of total aid has also increased, moving up from 37% in the 2018 budget to 38.8% in 2019.¹⁰⁶

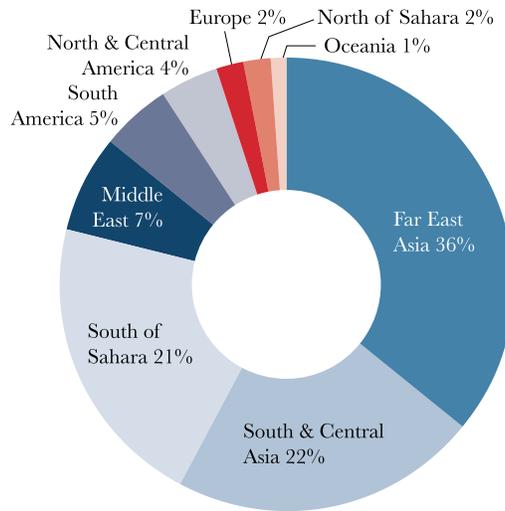
Figure 1. Net Annual South Korean ODA to Indo-Pacific Countries



Source: OECD Query Wizard for International Development Statistics, stats.oecd.org/qwids.

Note: “Indo-Pacific Countries” are considered as those within the U.S. Indo-Pacific Command area of responsibility

Figure 2. Allocation of Net South Korean ODA by Region (1988-2017)



Source: OECD Query Wizard for International Development Statistics, stats.oecd.org/qwids. org/qwids.

Additionally, South Korea’s broader economic engagement with region has grown and is expected to continue to grow under the NSP. As part of his regional strategy, Moon has travelled to each ASEAN member and India, signing MOUs to increase trade, investment, and other forms of economic cooperation in the coming years.¹⁰⁷ The culmination of his regional summit diplomacy was the November 2019 ASEAN-ROK Commemorative Summit in Busan, marking 30 years of relations and underlining the work that has been done so far as well as the years of cooperation ahead. The joint statement issued at the end of the conference echoed what one might expect to hear from the U.S. when talking about the FOIP strategy, with the ROK and ASEAN stating the relationship plays an:

“important role in building up the political-security, economic, socio-cultural, and people-to-people agenda of the Asia-Pacific region and agreed to continue

working closely together in support of global peace, security, prosperity, and sustainable development.”¹⁰⁸

As the Trump administration continues to face challenges scaling up U.S. resources to the Indo-Pacific, which are currently limited compared to what Beijing is offering and the needs of the region, South Korea’s ODA is working toward the same ends without needing to draw from American coffers.

Between arms sales since 2000 and ODA since democratization, South Korean engagement has tangibly contributed at least \$20 billion towards upholding the values shared by Seoul and Washington in the Indo-Pacific region (Table 5). A strong U.S.-ROK alliance moving forward would further help to ensure Seoul’s activity in the region continues to amplify Washington’s own efforts.

Table 5. South Korea’s Support for Upholding Shared Values with the U.S. in the Indo-Pacific (1988-2019)

| Support | Description |
|--|---|
| <i>Arms Sales</i> | |
| \$12.5 billion | Arms sales to Indo-Pacific region from 2000 to present |
| <i>Official Development Assistance</i> | |
| \$6.2 billion | Net ODA to Indo-Pacific region from 1988 to 2017 |
| \$1.6 billion | Combined ODA budget committed to Asian countries in 2018 and 2019 |
| Total: \$20.3 billion | |

CONCLUSION

South Korea's title as the linchpin of the U.S.-backed security architecture in Asia is not an empty one. Though the extent of the benefits South Korea provides to the United States through strong alliance relations is difficult to discern, this paper provides a glimpse of their value (Table 6). The three benefits analyzed in this paper represent only a few of the numerous areas where Washington gains from good alliance ties with Seoul. Moreover, the estimates are limited to publicly available figures and likely do not capture the entire picture. Yet, despite the measurement constraints, it is clear that the observed benefits far outweigh what the U.S. is pushing to receive from South Korea in the SMA negotiations.

There is still ample room for cost to continue to be a major area of consideration in how the U.S. approaches its alliance with South Korea and others moving forward. However, doing so in a way that places too much emphasis on cost relevant to other important aspects of the security relationship is self-defeating as it has the potential to undermine assurance and deterrence, which underpin far more financial value to Washington. The longer this approach plays out, the greater these intangible foundations of the of the alliance are challenged. As the current case with South Korea illustrates, putting American credibility on the line to get more out of an ally is not a gamble worth taking.

Table 6. Baseline Estimate of Benefits to Washington from a Strong Security Relationship with Seoul

| Cost | Description |
|-----------------------------------|--|
| <i>Accrued Benefits</i> | |
| \$25.9 billion | Fostering Foreign Policy Convergence on the Korean Peninsula (2016-2019) |
| \$20.3 billion | Supporting Common Values in the Indo-Pacific (1988-2019) |
| Total: \$46.2 billion | |
| <i>Preventing Potential Costs</i> | |
| \$2 trillion | Preventing the Return of Armed Conflict on the Korean Peninsula |

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