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THE PENINSULA

A Day Late, But Not a Dollar Short: The New U.S.- Korea Burden-Sharing Agreement

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After more than a year since the previous one expired, the U.S. and South Korea finally agreed to terms for a new military burden-sharing deal. The Special Measures Agreement (SMA) had previously been hostage to former U.S. President Donald Trump's transactional approach to alliances which proved to be a looming threat to U.S.- Korea ties. With this new agreement the Biden administration is following through on its claims that "America is Back", and can start to redirect attention towards more productive issues in the

The SMA was first initiated in 1991 as a means for Seoul to financially contribute about 40-50% of the non-personnel costs of hosting American troops. Before Trump intervened in the process, South Korea went from contributing less than \$300 million annually to U.S. Forces Korea (USFK) to about \$860 million (960 billion won) in 2018. Prior to 2009, each SMA had a shelf life of two to three years before a new arrangement was negotiated, but the two SMAs thereafter were in place for five years. The average increase in Seoul's contribution between each agreement was about 8.5%, with a high of 25.7% for the 5th SMA in 2002.

These agreements, however, far from captured the full scope of South Korea's financial support for the alliance. This includes paying over 90% of the higher than \$10 billion construction of Camp Humphrey, the largest overseas U.S. military base; imports of U.S. military-related goods; and free rent granted to USFK.

Although SMA negotiations were never easy before he took office, Trump's high demands made reaching a deal nearly impossible. When the 9th SMA was set to expire at the end of 2018, the Trump administration originally sought a 50 to 100% increase from Seoul while Trump himself openly talked about drawing down US troops in South Korea over cost concerns. Included in this new ask beyond Seoul covering over half of non-personnel costs was the expansion of Seoul's bill to include the deployment of U.S. strategic assets to the Korean Peninsula.

These demands were met with great consternation in South Korea, where they received far more media coverage than in the United States. South Koreans viewed the proposed new requirements as unjustifiable – and grated at Washington characterizing Seoul as a “free-rider” in the name of a new bottom line that purposefully overlooked the benefits the alliance brings to both capitals.

A crisis of confidence in the alliance was merely delayed when the U.S. and South Korea agreed to a one-year deal with an 8.2% increase in February 2019 – far short of Washington's demand of a 40% hike just a few weeks earlier – to \$924 million (1.04 trillion won). This stopgap effort was likely pushed across the finish line to avoid any potential alliance liabilities ahead of Trump's summit with North Korean leader Kim Jong-un later that month – but concerns were again raised when Trump unilaterally announced the suspension of U.S.-Korea combined military exercises, citing costs among other reasons,
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The Trump administration tried to strike an even tougher deal after this short reprieve, reportedly asking for South Korea to pay \$5 billion in the summer of 2020, a nearly 400% jump from what Seoul had just agreed to pay only months earlier. Such an untenable ask without transparency as to how this new funding would be spent sparked an even louder cacophony of disagreement in South Korea and raised widespread concerns about the health of the alliance. The deal was allowed to expire at the end of 2019, with Seoul then forced to directly pay – rather than through the SMA – the salaries of thousands of Korean contractors working for USFK starting in June 2020 and without resolving other issues in the SMA. For the remainder of Trump's term both sides appeared to be locked into what they deemed their best offer, with Washington asking for a 25% increase and Seoul only willing to go up by 13%.

The agreement in principle for the 11th SMA announced in early March and signed by both sides during U.S. Secretary of State Anthony Blinken and U.S. Secretary of Defense Lloyd Austin's visit to South Korea has finally struck a different, much less ominous chord from the negotiations in the past few years. Though the details have not yet been officially released, it is expected that both sides came to terms on South Korea's offered 13% increase in a deal that would extend through 2025. This is only slightly higher than the average of the previous increases and, perhaps most importantly, inherently acknowledges the trust in the relationship to focus on other issues as granted by a multi-year deal.

Still, the new agreement is not completely devoid of Trump's influence. The 8.2% spending increase in the 10th SMA reached in early 2019 paralleled the defense spending increase that year. Before officials compromised at a 13% jump, Seoul had also planned to similarly align its new spending in the 11th SMA with the 7.4% increase in the 2020 defense budget. The 6.5% difference will go towards South Koreans working for USFK. In this sense, the Trump administration likely influenced South Korea to pay more than it would have otherwise, yet these additional funds pale in comparison to what Trump was risking through his approach to alliance management.

Much of the value Seoul provides Washington may be difficult to assign a dollar amount to, though that does not make these intangible benefits any less valuable. For instance, basing U.S. troops in South Korea helps to deter North Korea, in turn preventing the outbreak of a second Korean War on the peninsula. USFK also helps foster greater policy
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Received by NSD/FARA Registration Unit 03/18/2021 2:28:10 PM. economic policy, convergence between Seoul and Washington on the Korean Peninsula on issues such as North Korea and China as well as supports South Korea's role as a "values multiplier" in the Indo-Pacific region. Taken altogether, these underpin tens of billions, if not trillions of dollars in value for Washington in a region of growing importance. By focusing on cost above all else in discussions on American troops in South Korea, Trump was effectively undermining U.S. alliance credibility and all the economic worth it supports.

By acknowledging the importance of the alliance beyond purely financial considerations, the Biden administration has prevented a much greater crisis in the alliance with the signing of the new SMA, but there is still work to be done. For instance, Seoul will likely continue to be hesitant to formally participate in any regional or multilateral initiative perceived to be containing Beijing, such as an expanded G7 and efforts to decouple supply chains in industries of national security concern like semiconductors. Removing the unnecessary strain the SMA placed on bilateral ties will not solve these challenges, but is certainly an important and welcomed first step in providing a cooperative environment to work through them.

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Return to the Peninsula