

Status of the ROK-U.S. Alliance and Defense Cost-Sharing

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GEN Vincent K. Brooks, the Commanding General of UNC, CFC, and USFK mentioned during the Senate Armed Services Committee hearing on April 19 that the Republic of Korea “pays about 50% of our costs of being there...” and “carries about 92% of \$10.8 billion project to relocate US forces further to the south” according to the Yongsan Relocation Plan (YRP) and the Land Partnership Program (LPP). He also confirmed that it would cost more to keep the troops stationed in the US than it would be in Korea.ⁱ

U.S. Ambassador to South Korea Mark Lippert spoke at a forum in Seoul on April 19 that the bilateral relationship of the U.S. and South Korea is “one of the premier military alliances in respect to defense burden sharing.” The Ambassador added that South Korea shoulders 50 to 55 percent of the cost to support U.S. troops in the region and increases its defense spending proportionally each year.ⁱⁱ

On the other hand, the republican candidate Donald Trump has made repeated claims that South Korea is not paying a fair share of the defense burden sharing and thus needs to take on a larger amount, pointing out that South Korea is getting a free ride on defense.

Discussions over the defense burden sharing within the U.S. show where the defense cost-sharing stands. This paper will cover the next four issues related to the ROK-U.S. defense cost-sharing: (1) the meaning of defense cost-sharing in the ROK-U.S. alliance; (2) type of contribution that South Korea makes; (3) how to understand such remarks that South Korea

contributes 50 to 55 percent of the payment for the upkeep of the USFK; and (4) improvement measures that the two allies agreed for the 10th Special Measures Agreement (SMA) that will be held after new governments take office in both countries.

The Essence of Defense Cost-Sharing and South Korea's Contribution

The ROK-U.S. alliance continues to develop into a comprehensive strategic alliance based on the ROK-U.S. Alliance Joint Vision statement that the heads of both countries agreed to in 2009. However, the fact that the core of the ROK-U.S. alliance is still at deterring North Korean aggression and maintaining peace on the Korean Peninsula cannot be ignored. In addition to deterring war on the Korean Peninsula which is the core of the USFK mission, the alliance protects U.S. interests and leadership in Northeast Asia. It also supports the U.S. role as a security provider in the Asia-Pacific region. The USFK is the basis of the alliance that protects and promotes the security interests of both countries.

South Korea contributes to the defense cost-sharing in multiple ways. In accordance with Article 5 of the Status of Forces Agreement (SOFA) of USFK signed by two allies in 1966, South Korea provides land and facilities necessary for stationing USFK troops. South Korea also support, based on the same agreement, Korean Augmentation Troops to the United States Army (KATUSA), maintenance around the bases, tax waiver, and exemptions from paying public utility charges as well as road, port, and airport charges.

In 1991, South Korea and the U.S. signed Special Measures Agreement (SMA) and since then, South Korea has been sharing the cost for the USFK by renewing the agreement every two to three or five years. South Korea's main contributions to the cost-sharing can be grouped into key categories: USFK employee payroll costs, maintenance and utilities for US bases and facilities, and logistic support.

Furthermore, South Korea carries 91% and the U.S. carries 9% of the costs for relocating the US bases, with the YRP completely paid by South Korea. LPP regulates that South Korea pays for the base relocation that it requested while the U.S. pays for the others. Nonetheless, what falls under U.S. responsibility is covered by the shared defense budget. To sum up, in addition to the support according to the SMA, South Korea also provides various direct and indirect supports in accordance to SOFA and undertakes a significant cost of relocating the U.S. bases on the Korean Peninsula.

As aforementioned evidences suggest, the fundamental significance of the defense cost-sharing is to ensure stable conditions for stationing USFK, to strengthen the ROK-U.S. combined readiness, and furthermore to maintain and strengthen the alliance. In this light, the defense cost-sharing is a mechanism that helps strengthening the alliance solidarity and trust, essential for the maintenance of the alliance. The defense cost-sharing should therefore be considered a foundation to strengthen the alliance, not a means for the management of the

alliance.

The Size of the South Korean Defense Cost-Sharing

In order to use defense cost-sharing as a foundation to strengthen the alliance, trust becomes an absolute necessity between the allies. Trust between the allies in defense cost-sharing requires mutual understanding on not only how much contribution is made, but also how it is managed.

South Korea and the U.S. signed the 9th SMA on the 2nd of February, 2014 and this agreement will expire at the end of 2018. In 2015, South Korea took on 932 billion KRW and carries 944.1 billion KRW in 2016. A closer look at the details of the defense cost-sharing by South Korea in 2016 reveals that labor cost is set at 363 billion KRW (38.4%), military construction 422 billion KRW (44.7%), and logistics support 159.1 billion KRW (16.9%).

The amount of South Korea's contribution has grown nine-fold from 107.3 billion KRW in 1991 when South Korea shared cost based on SMA. It should be noted that the respective share of the cost accounts for 2.4% of South Korea's national defense budget and 3.8% of Japan's.ⁱⁱⁱ In terms of percentage of defense cost-sharing to GDP, South Korea spends 0.058% of its GDP while Japan spends 0.037% on defense burden sharing. South Korea's contribution in the defense cost-sharing is not minimal, compared to the size of its economy.

In addition to the debates about the amount of contributions, the portion of cost-sharing is a subject of discussion. South Korea's portion of the defense cost is determined by South Korea's share (direct and indirect support)^{iv} divided by Non-Personnel Stationing Cost (NPSC). The NPSC is the cost required for the U.S. forces to be stationed in a foreign country excluding the personnel costs, including expenses for food and clothing. The statement that "South Korea is carrying 50 to 55% of the USFK stationing costs" is backed by such equation. However, it is hard to define detailed NPSC items and requirements, and even challenging to come to an agreement on them. South Korea and US have different views on the assessment of the indirect support due to dissimilar standard for evaluation. Without reaching an agreement on the method used to determine South Korea's portion of the shared cost, caution has to be paid in order to prevent any misleads on the appropriateness of South Korea's contribution. Otherwise, the very foundations of trust in the ROK-U.S. alliance may be damaged. Apart from the defense cost-sharing, South Korea's indirect support in various forms based on its faithful commitment to the alliance must not be underestimated.

The way defense costs are managed should also be considered with caution in order to enhance trust between the allies. During the 8th SMA, the two allies formally discussed ways to improve management of the defense cost-sharing funds. South Korea and the U.S. increased transparency in spending the defense cost with the shift from cash payment to in-kind payment for military construction. This helped securing a foundation to fully transform the system of

support based on actual requirements. During the 9th SMA, both countries agreed to improve policies across five areas, adopting a separate exchange of notes.^v It is possible that South Korea's portion of defense cost-sharing funds and the management method will become a controversial issue at the 10th SMA after the start of new governments in both countries—U.S. in January 2017 and South Korea in February 2018.

Defense cost-sharing as the foundation for strengthening the alliance between the ROK-U.S. relationship cannot be stressed enough for its importance. This is the reason why debates over the defense cost-sharing in the U.S. also become hot debate in the political circle and mass media in South Korea. The ROK-U.S. alliance can be further solidified by enhancing mutual understanding of the key issues regarding the defense cost-sharing and by searching for potential improvements.

ⁱ United States Senate Committee on Armed Services .(Apr 19, 2016).Nomination – Brooks.(http://www.armed-services.senate.gov/hearings/16-04-19-nomination_-brooks);Army Times. (Apr 19, 2016). U.S. Army Pacific Commander: Cheaper to Keep U.S. troops in South Korea. Richard Lardner, The Associated Press.

ⁱⁱ Yonhap News. Apr 21, 2016. US Ambassador Lippert “ROK-US, best alliance in respect to defense cost-sharing”

ⁱⁱⁱ The portion of South Korea's defense cost-sharing in national defense budget started as 1.4% in 1991 and goes to 3.2% in 2005, 2.7% in 2010, and 2.4% in 2016.

^{iv} While the direct support is appropriated in the national budget, indirect support refers to non-appropriated support. Direct support includes the defense cost-sharing through the SMA, and purchase and use of private priority within US bases. When calculating the burden share ratio, the relocation costs that South Korea takes on, is not included in the direct support. Indirect support includes the waiver to collect any profit from lease of provided land, various tax exemptions, public facility usage fee waivers, and so on.

^v The five areas are: (1) strengthening prior coordination during cost allocation stages; (2) establishing regular prior cooperation body for military constructions; (3) tackling SME's difficulties in logistics support; (4) improving welfare of South Korean employees at the USFK and improving transparency in personnel costs; and (5) securing transparency across multiple stages from budgeting to closing, possibly by reporting increasingly to the ROK National Assembly.