



**Statement before the Senate Foreign Relations
Subcommittee on East Asia, the Pacific and
International Cybersecurity Policy**

***“North Korea Policy One Year
After Hanoi”***

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Chairman Gardner, Ranking Member Markey, and distinguished members of the Subcommittee, thank you for the opportunity to appear before this Subcommittee to discuss the prospects for the resumption of negotiations with North Korea, options for U.S. North Korea policy and how best the U.S. can encourage greater burden-sharing by our allies, South Korea and Japan.

The prospects for the resumption of negotiations with North Korea

We are currently at an impasse with North Korea and we are facing dim prospects for the resumption of negotiations. But the chance of resuming negotiations is not zero. The United States can restart negotiations if we are willing to offer maximum sanctions relief in return for something less than the “denuclearization” of North Korea.

That is the ambitious goal announced at the first Trump-Kim summit in Singapore in June 2018. But the North resisted coming up with a timetable for disarmament, a declaration of its existing stockpiles, and a road map—the *sine qua non* for true denuclearization. The only way to reduce the North Korean nuclear threat is to get International Atomic Energy Agency (IAEA) inspectors into North Korea to oversee the suspension, and sealing, of nuclear operations, followed by the installation of monitoring cameras. Kim Jong-un has shown no willingness to allow such intrusive measures. In Hanoi, Kim offered to close down nuclear facilities in Yongbyon—a fairly minimal concession—in return for maximum sanctions relief. President Trump rightly refused to take that deal and the summit ended in failure.

Given that North Korea won’t give up its nuclear arsenal, experts debate whether it is in the U.S. interest to pursue an interim deal that would freeze or roll back the North’s nuclear-arms program. The elements of such a deal would include the North ceasing further production of fissile material, putting a limit on its existing stockpile, and closing down Yongbyon. The question is whether to grant partial or complete sanctions relief in return for such pledges. My own view is that this would be a worthwhile objective to consider if—and only if—North Korea would provide an inventory of its nuclear program and agree to international verification. Otherwise, we could be trading sanctions concessions in return for nothing. Absent a declaration of the North Korean nuclear program and the entry of international inspectors, there would be no way to know if North Korea were covertly continuing to develop nuclear weapons or not.

But even if such a limited deal were possible before, it is unlikely now. North Korea’s current position reflects little appetite to return to diplomacy. Although North Korea opted not to test any “Christmas gift” following the expiration of Kim Jong-un’s self-proclaimed year-end deadline, Kim was hardly conciliatory at the Korean Workers’ Party Central Committee Plenary Session. He vowed that “the world will witness a new strategic weapon the DPRK will possess in the near future,” and he threatened to walk away from his unilateral moratorium on nuclear and ICBM tests.¹ Kim was also harshly critical of the continuation of U.S. sanctions, joint military exercises with South Korea, and U.S. weapons sales to South Korea, while issuing a warning to his people that North Korea will have to go through “long unprecedented period of difficulties” with the U.S., while vowing to maintain the country’s “nuclear deterrent” to defend itself. Following the high-profile ruling party plenum, the North appointed Ri Son-gwon—formerly head of the North’s

¹ “Report on 5th Plenary Meeting of the 7th Central Committee of the Workers’ Party of Korea”, *Rodong Sinmun*, January 1, 2020, <https://kcnawatch.org/newstream/1577861427-214400281/report-on-5th-plenary-meeting-of-7th-c-c-wpk/?t=1581967486984>

Committee for the Peaceful Reunification of the Country—as foreign minister.² He is known for his more hardline stance towards the U.S. and South Korea as well as his military, not diplomatic, background. The plenum speech and Ri’s subsequent appointment reflect Kim’s fundamental skepticism about further negotiations with the Trump administration at least for the time being. Furthermore, at the present moment, the North is distracted by trying to prevent a coronavirus outbreak. All of these factors leave the U.S. little maneuvering room for resuming negotiations with North Korea at the present time.

This does not, however, mean there is no prospect for dialogue with the North or that Kim is not interested in a deal with the Trump administration in this election year. Kim did leave a small opening when he stated that he is willing to "freeze" or reduce his nuclear program if "conditions are met." The chief challenge for us, however, is the fact that the North is highly unlikely to agree to any sort of agreement that does not include maximal sanctions relief without offering the kind of verification that would be needed, even for a nuclear freeze deal. Such intransigence by the North—demanding maximal sanctions relief up front—explains why the Stockholm talks—the first talks in nearly eight months—broke down after only 8 ½ hours. The North Korean delegates stormed out, and Pyongyang subsequently said they wouldn’t resume the “sickening” negotiations with the U.S. Thus, if there is to be any kind of agreement with the North this year, we are only left with the option of giving the North massive sanctions relief up front for little in return.

Compounding the problem is the high likelihood of the North returning to provocations in due course to continue to dial up pressure on Washington. These are likely to be “lesser” provocations, such as a medium-range missile test over Japan, submarine-launched ballistic missile, or a satellite launched into orbit, and not necessarily nuclear weapons or ICBM tests, which Kim knows will cross President Trump’s red line. (President Trump dismissed a dozen short-range ballistic missile tests last year as unimportant.) Moreover, while the negotiation has stalled, the North has continued to work on its nuclear and missile program, while evading sanctions by pouring resources into cyber-program that is both a “potent weapon and a revenue generator.”³ In addition to continuing to produce enough nuclear material last year for a dozen or more nuclear weapons, the North’s testing of short-range missiles last year—five of which were new—helps to advance its solid fuel and guidance systems and develop capabilities to thwart short-range missile-defense systems.

China and Russia’s compliance with UN Security Council sanctions

Kim Jong-un likely thinks that he can bide time, probably calculating that a return to the “fire and fury” of 2017 is unlikely this year because President Trump’s reelection campaign is in progress and everyone else in the region has moved on. China, Russia, and even our ally, South Korea, have no interest in a continuing pressure campaign after the rapprochement with the North. They are, in fact, making efforts to reduce tensions by giving the North sanctions relief without the North having taken a single concrete step towards denuclearization.

² Victor Cha and Dana Kim, “Impact Player: Ri Son-gwon,” *CSIS Korea Chair*, January 20, 2020, <https://www.csis.org/analysis/impact-player-ri-son-gwon>

³ David E. Sanger, “North Korea’s Internet Use Surges, Thwarting Sanctions and Fueling Theft,” *The New York Times*, February 9, 2020, <https://www.nytimes.com/2020/02/09/us/politics/north-korea-internet-sanctions.html>

China implemented stricter sanctions enforcement in 2017, but following multiple meetings between Chinese leader Xi Jinping and Kim (Kim has visited China four times and Xi has visited Pyongyang once), Beijing has relaxed pressure on the North considerably.⁴ According to a report from the UN Panel of Experts, North Korea continues to circumvent UN sanctions on shipping and trade, with North Korean vessels hauling coal and oil to China and engaging in ship-to-ship transfers with Chinese vessels to evade sanctions. China also reportedly shipped more than 10,000 tons of oil to North Korea in the last four months of 2019, according to new data made public by the United Nations. China exported 22,739 tons of refined petroleum to North Korea in 2019, an 18% increase from the previous year, when the total was 19,200 tons.⁵ While these imports did not violate sanctions, they signal Beijing's current impatience with the sanctions regime against the North. China last year also exported at least \$75 million in tobacco products, \$30 million worth of wine, beer, spirits, and other alcohol, and \$50 million worth of medical supplies to the North.⁶

Russia is, likewise, working hard to relax sanctions against North Korea. Overall trade between Russia and North Korea increased by 20% in 2019, with North Korea importing more than \$42 million in goods from Russia.⁷ According to new data made public last week by the United Nations, Russian monthly oil exports to North Korea rose more than 300% in December 2019.⁸ That same month Russia teamed up with China to circulate a draft resolution in the United Nations Security Council that would lift several major categories of sanctions under UN Resolution 2397 and other sanctions "related to the livelihood of the civilian population of DPRK."⁹ It would essentially lift sanctions prohibiting North Korea from "exporting statues, seafoods and textiles" and would "exempt inter-Korean rail and road cooperation projects."

Both Russia and China skirted the requirement to send North Korean laborers home by the end of 2019; UNSC Resolution 2397 mandated that member states repatriate all North Koreans earning currency in their territory by the end of the year.¹⁰ Yet, approximately a thousand North Korean workers continue to remain in Russia and thousands of North Korean nationals also continue to travel to Russia on student, tourist, and work visas. UN member states are required to submit a final report on the repatriation of North Korean workers to the United Nations sanctions committee

⁴ "Dataset: China-North Korea High Level Visits Since 1953," *CSIS Beyond Parallel*, <https://beyondparallel.csis.org/china-dprk-high-level-visits-since-1953-2/>

⁵ 1718 Sanctions Committee, "Supply, sale, or transfer of all refined petroleum products to the DPRK," *United Nations Security Council*, <https://www.un.org/securitycouncil/sanctions/1718/supply-sale-or-transfer-of-all-refined-petroleum>

⁶ These numbers are according to recent trade data published by the Chinese General Administration of Customs (GAC) and analyzed by *NK News*, an American subscription-based website that provides news and analysis about North Korea. See, for example, <https://www.nknews.org/2020/02/north-korea-imported-75-million-in-tobacco-products-from-china-last-year-data/>

⁷ "Russia's reported oil exports to North Korea rise in December: UN," *Arirang News Network*, January 20, 2020, <https://www.youtube.com/watch?v=OT131TEMjGA>

⁸ 1718 Sanctions Committee, "Supply, sale, or transfer of all refined petroleum products to the DPRK," *United Nations Security Council*. <https://www.un.org/securitycouncil/sanctions/1718/supply-sale-or-transfer-of-all-refined-petroleum>. Also see *NK News*, <https://www.nknews.org/pro/russias-reported-oil-exports-to-north-korea-rise-in-december-un/?t=1582372912106>

⁹ Michelle Nichols, "China, Russia propose lifting some U.N. sanctions on North Korea, U.S. says not the time," *Reuters*, December 16, 2019, <https://www.reuters.com/article/us-northkorea-usa-un/china-russia-propose-lifting-of-some-u-n-sanctions-on-north-korea-idUSKBN1YK20W>

¹⁰ United Nations Security Council Resolution 2397 (2017), <https://www.un.org/undpa/en/speeches-statements/22122017/resolution2397%282017%29>

by March 22. There is a chance that both China and Russia, the two largest countries hosting North Korean laborers, will use the coronavirus outbreak as the reason for “delayed and insufficient repatriation of the North Korean workers.” China has not made public the data on its North Korea labor force other than saying during the midterm report last year that it has repatriated more than half of some 50,000 workers in China.¹¹

To a lesser extent, South Korea has also pushed for giving the North sanctions relief, saying that Washington should not dismiss China and Russia’s proposed resolution on sanctions relief. The Moon Jae-in administration has been recently making a case to move ahead on inter-Korean projects with the North—particularly the railroad project—as well as pushing for “independent tourism” with Pyongyang. Inter-Korean relations have soured in the past year amid stalled U.S.-North Korea denuclearization talks, but the Moon administration is eager to jump start dialogue with the North.¹²

Where Do We Go From Here? Limited Options for U.S. North Korea Policy

Direct dialogue and meetings with Kim Jong-un have confirmed a clear picture of what it is that the North seeks. In the near term, it seeks to secure significant sanctions relief from Washington and the international community. We know by now that the North is not interested in giving up its nuclear weapons program. Despite diplomacy and summitry since the beginning of 2018, achieving complete denuclearization remains highly unlikely because Kim continues to view nuclear and missile programs as essential to preserving the regime and expanding its power.

At both the Singapore and Hanoi summits, the U.S. dangled the prospect of economic development to show a possibility of a “bright future” that could lie ahead for North Korea if only it denuclearized. The U.S. side also floated the idea at the Hanoi summit of declaring an end to the Korean War and exchanging liaison offices with the North. But the North has made clear that all it cares about is sanctions relief now, without having to give up its nuclear program. The North’s long-term goal is to patiently wait for the world to accept it as a “responsible” nuclear weapons power while banking that the legitimacy the North has already been enhanced by Kim’s three sit-downs with President Trump. North Korea wants as much economic normalization as possible without actually giving up the nuclear and missile programs that, in Kim’s view, guarantee his regime’s survival—and his own. In short, Kim wants to have his cake and eat it too.

As stated earlier, the main question we need to then ask is whether the U.S. should seek an interim agreement with the North even though the North is unlikely to denuclearize. Should we seek and accept either a cap on the North’s existing program or, at most, partial denuclearization in return for giving significant sanctions relief to the North? There is a debate among Korea watchers on

¹¹ The U.S. has estimated North Korea was earning more than \$500 million a year from nearly 100,000 workers abroad, of which some 50,000 were in China and 30,000 in Russia. The U.S. in January imposed sanctions on two North Korean entities, including China-based facility in Beijing, saying they were involved in sending North Koreans to work abroad in violation of UN sanctions. David Brunnstrom, “China fails to repatriate North Korea workers despite U.N. sanctions – U.S. official,” *Reuters*, January 22, 2020, <https://www.reuters.com/article/uk-northkorea-usa-china-sanctions/china-fails-to-repatriate-north-korea-workers-despite-u-n-sanctions-u-s-official-idUKKBN1ZL34I>

¹² In this Yonhap News article, Seoul suggests it may push for joint projects with the North independently from Washington this year. “Seoul to expand room to move independently on inter-Korean issues,” January 8, 2020, <https://en.yna.co.kr/view/AEN20200108003800325>

the utility of a “freeze” on North Korea’s nuclear weapons production. Proponents of arms control and freeze deal advocates argue that capping North Korea’s arsenal would one day lead to denuclearization. Even if it does not lead to full denuclearization, the advocates say that capping the program will reduce the threat posed by North Korea and therefore is the most realistic policy we should pursue after decades of failed policies to stop the North’s nuclear program.

My own view is that it may be worthwhile to consider whether *some* targeted sanctions relief in exchange for a *genuine* freeze of the North’s nuclear and missile program is warranted as an *interim* first step, with the goal of moving toward *verified* dismantlement of *some* important facilities and nuclear weapons. This is better than allowing the North to grow its program unchecked as it is currently doing. At the same time, however, I strongly believe that the U.S. and its partners must not rush into such a deal with premature sanctions relief; history shows us that Kim may be tempted to cheat on any deal and if we grant premature sanctions relief, we may not achieve a genuine halt to the North’s nuclear and missile programs. We should pursue such an interim agreement only *after* Kim has shown a willingness to provide an inventory of his nuclear program (facilities, weapons, and fissile material stockpiles) and a roadmap for implementation along with an agreement to allow international inspectors into his country to monitor all declared nuclear facilities.

Caution is in order because in the past the North has repeatedly sought and received sanctions relief but our agreements with the North fell apart over verification. The most notable example is when the U.S. imposed sanctions on Banco Delta Asia (BDA), a Macao-based bank in September 2005 but subsequently reversed enforcement against BDA in order to make progress with the North, only to see the agreement fall apart. In fact, it is prudent for us to remember that previous deals with the North were heralded as strategic successes until they fell apart. The 1994 Agreed Framework is an important benchmark. It fell apart after only partial U.S. implementation and North Korean cheating. The point is even if we have an interim deal with the North, we may not know how durable any agreement with the North is for several years.

We must be clear-eyed about potentially significant consequences to rushing into such a freeze deal with maximal sanctions relief. If the interim freeze deal does not translate to a denuclearization deal (the most likely scenario), we would have then abandoned the most important leverage we have with the North while basically giving the North a de facto recognition and acceptance as a nuclear weapons state, which in turn poses a regional proliferation risk in the future. It is not inconceivable that if South Korea and Japan lose confidence in the U.S. nuclear umbrella, they could one day be compelled to field their own nuclear weapons. It also sends the wrong message to other rogue actors pursuing nuclear capabilities and seeks to undermine the broader U.S.-based international order.

Again, I think these risks are worth running, but *only* for a true deal to stop production of fissile material and to end nuclear and missile testing, that is verified by international inspectors—something that the North is unlikely to agree to. In the meantime, we must continue to pursue diplomacy backed up by sustained economic and political pressure on the North. There is simply no viable alternative at the moment to the deterrence and containment of North Korea.

This means, first and foremost, strengthening the coalition of UN member states in the sanctions campaign to deplete the North’s hard currency as long as the regime remains defiant as it is today.

The goal is to continue and intensify sanctions enforcement to defund the North's nuclear and missile program and prevent proliferation, targeting not only North Korea but also its enablers and business partners using economic and diplomatic means. To this end, the U.S. should be prepared to use any future provocations by the North as a reason for seeking broader legal authorities in UNSCRs to prevent outward proliferation, while accelerating secondary sanctions against third-party entities assisting North Korea, including three dozen Chinese and Russian entities that the Treasury Department has deferred from imposing sanctions on.

Since the Singapore Summit in May 2018, President Trump has put a freeze on significant new sanctions designations, but there are also still many more North Korean entities referenced by Trump himself that could be sanctioned. We are currently well positioned to build on the sanctions in the North Korea Nuclear Sanctions and Enforcement Act (NKSPEA). Congress passed a tough new bill, the "Otto Warmbier North Korea Nuclear Sanctions Act of 2019" as an amendment to the National Defense Authorization Act for 2020, which raises the legal pressure on the Chinese banks. At the core of the Warmbier Act, which builds on the previous Otto Warmbier Banking Restrictions Involving North Korea (BRINK) Act, is a list of sweeping categories of financial enablers which are helping the North to evade UN sanctions.¹³ The United States needs to send a simple, direct message to foreign banks and firms: You can do business with North Korea or you can do business with the United States, but you can't do business with both—so choose which you prefer. If you choose to support the North Korean regime, you will be held to account.

Using the strategy that brought Iran to the bargaining table as a model, we should expand pressure on the North's money launders, facilitators, and enablers. We should give more power to the 94 US Attorneys' offices to enforce the sanctions law, as Joshua Stanton, an attorney who has assisted members of both parties with the drafting of North Korea sanctions legislation, has suggested. In December 2017, the Chief District Judge in Washington, D.C., ordered three Chinese banks to comply with federal grand jury and statutory subpoenas of their North Korea-related records. Stanton notes that this is the first time a U.S. federal court has ordered Chinese banks to comply with subpoenas regarding suspected North Korean money laundering. Such a strategy, if enforced diligently, has the potential to close a hole in U.S. sanctions enforcement by scaring China's big banks into "enhanced due diligence" and stop helping Pyongyang gain access to our financial system.¹⁴ When North Korean funds are seized and forfeited, they can then be used as a "pot of gold" for the disbursement of incremental, monitored, humanitarian-based aid or sanctions relief when there is a right opportunity.

While not giving up on dialogue with the North, the U.S. must have a strategy to deal with the most likely probability that Kim is pursuing what his father and grandfather have pursued with previous U.S. administrations—exploiting diplomacy only to buy time until he can secure international acceptance of the North as a full-fledged nuclear power. We need a strategy to contain

¹³ 116th Congress First Session, H.R. 2500, pp. 1126-1144, <https://www.congress.gov/116/bills/hr2500/BILLS-116hr2500eh.pdf>. Also see Joshua Stanton's *One Free Korea* with extensive background, explainer, and links, in particular, "The Warmbier Act could raise the pressure on Kim Jong-un dramatically, whether Donald Trump likes it or not," December 20, 2019, <https://freekorea.us/2019/12/20/the-warmbier-act-could-raise-the-pressure-on-kim-jong-un-dramatically-whether-donald-trump-likes-it-or-not/>

¹⁴ Joshua Stanton, "OFK Exclusive: Court orders three Chinese banks to comply with subpoenas for North Korea-related records," *One Free Korea*, April 30, 2019, <https://freekorea.us/2019/04/30/ofk-exclusive-court-orders-three-chinese-banks-to-comply-with-subpoenas-for-north-korea-related-records/>.

and deter and if, necessary, compel North Korea to reduce the threat, particularly the potential spread of nuclear weapons to rogue states or terrorist groups. To this end, the U.S. should engage law enforcement, coast guards, navies (including those of South Korea and Japan), and broader U.S. assets to create “rings” of preventive action around the North with continuously available surveillance and interdiction efforts.

Such a strategy of giving diplomacy a best possible try but being prepared to deter and gradually rollback the North Korean threat is a sustained, long-term approach that plays to U.S. strengths, exploiting our opponent’s vulnerabilities, and sending a message to rogue regimes around the world that there is a meaningful cost to nuclear proliferation. This strategy would also continue to deplete Pyongyang’s hard currency which is used to underwrite the lifestyle of the North Korean elites whose support is essential for Kim to remain in power; deter the regime from rash action; strengthen our alliances in Asia for the next generation; and increase the costs to those states and companies which continue to subsidize Pyongyang.

These efforts should be pursued in conjunction with prioritizing human rights abuses in North Korea and expanding an information penetration campaign. In the midst of diplomacy and summitry of the past few years, North Korea human rights has taken a back seat. Last December, an effort to put the North Korean human rights issue back on the agenda of the UNSC failed to achieve the nine-vote minimum. The U.S., which was the potential ninth vote, pulled back its support to hold a discussion on North Korea’s human rights abuses last minute, presumably so as not to complicate President Trump’s delicate diplomacy with Kim Jong-un. The proposed meeting of the Security Council had been intended to put a spotlight on North Korea on Human Rights Day, December 10.¹⁵ After the International Criminal Court (ICC) ruled in December 2019 that it “lacks the jurisdiction to investigate North Korean human rights issues and the supreme leader of North Korea,” there is even less impetus to pressure North Korea on human rights. The ICC said in a report that “the alleged crimes referred to the ICC were neither committed on the territory of an ICC member state nor by a national of a member state.”¹⁶

Despite such setbacks, the U.S. must continue to combine a focus on security *and* on human rights into a single, unified approach. The North continues to be one of the world’s most repressive states. The threat from North Korea is not only a nuclear and missile threat; rather, the threat has always emerged from the nature of the Kim regime itself. Focusing on human rights is not only a right thing to do, it also provides a means of applying pressure to change North Korea beyond what economic sanctions can apply. Recall how West Germany established a Central Registry of State Judicial Administrations to systematically collect cases of human rights abuses in East Germany in order to pressure the Communist regime. Or how the international community waged a global campaign to isolate the apartheid regime in South Africa, ultimately leading to a change of regime.

¹⁵ Edward Wong and Choe Sang-hun, “Trump Officials Block U.N. Meeting on Human Rights Abuses in North Korea,” *New York Times*, December 9, 2019, <https://www.nytimes.com/2019/12/09/world/asia/north-korea-trump.html>

¹⁶ Kim So-hyun, “International Criminal Court Says It Has No Jurisdiction Over North Korean Leader,” *The Korea Herald*, December 6, 2019, <http://www.koreaherald.com/view.php?ud=20191206000481>

In similar fashion, an international campaign can challenge the Kim Jong-un regime's legitimacy based on its failure to provide for the needs of the people.

Meanwhile, steps should be taken to come up with a comprehensive strategy to help the people of North Korea further break the information blockade imposed by the state. Historically, the North Korean regime has been able to maintain tight control over the population by indoctrination and maintaining a monopoly on information. But the Kim regime has been unable to stop unofficial information from seeping into the North over the porous border with China, chipping away at regime myths and undermining the solidarity of the North Korean people behind Kim. Many North Korean elites, as well as ordinary citizens, are already watching South Korean soap operas, and listening to K-pop and American broadcasts. We should increase our efforts to support radio broadcasts and other means to transmit information into North Korea. We should work with various governments and tech companies such as Google and Facebook to find creative ways to get information into North Korea.

How best can the U.S. encourage greater burden-sharing by South Korea and Japan

South Korea and Japan are our most important strategic and economic partners in Asia. The U.S.-ROK Mutual Defense Treaty was signed in 1953 at the end of the Korean War, which commits the United States to help South Korea defend itself, particularly from North Korea. The alliance has given the United States a partner and a forward presence in Asia that helps it promote U.S. interests in East Asia and the world. South Korean troops have fought in various U.S.-led conflicts, including Vietnam, Iraq, and Afghanistan. Approximately 28,500 U.S. troops are currently based in South Korea, and South Korea is included under the U.S. "nuclear umbrella," also known as extended deterrence. Japan is also a significant partner for the U.S., particularly in security areas, including hedging against China and countering threats from North Korea. The U.S.-Japan military alliance, formed in 1952, grants the U.S. military the right to base U.S. troops—currently around 54,000 strong—and other military assets on Japanese territory, undergirding the "forward deployment" of U.S. troops in Asia. In return, the U.S. has pledged to protect Japan's security.

At the moment, tensions are running high between the U.S. and South Korea over the Special Measures Agreement (SMA) on how to divide the costs of basing U.S. troops in South Korea. The Trump Administration has demanded Seoul increase its payments by more than 400%, and President Trump publicly said it is debatable whether the U.S. troop presence is in U.S. interests. Tokyo fears similar demand will be made on Japan shortly. Under the current SMA, covering 2016-2021, Japan is contributing about \$1.72 billion per year, but the two countries likely will begin negotiations over the next SMA later in the year. Japan anticipates that the Trump Administration will also demand a 400% increase.

South Korea's bipartisan and public resistance to the Trump Administration's desire for a four- to five-fold increase in South Korean payments is strong. South Korea currently spends 2.6% of its gross domestic product on its defense, which is the highest such figure devoted to defense spending of any American treaty ally in the world (and fourth largest in the world). Seoul has traditionally paid for about 50% (over \$800 million annually) of the total non-personnel costs of the U.S. military presence. These figures do not include the \$10 billion that South Korea spent to build the largest overseas U.S. military base in Pyeongtaek, the "largest power projection platform in the

Pacific,” according to the U.S. Army, for which South Korea does not charge rent.¹⁷ Meanwhile, Japan, due to constraints imposed by the United States after World War II, does not spend as large as a percentage but still is the 15th largest defense spender world-wide and pays for about 75% of the cost of deployed US forces.

While the number of U.S. military personnel in South Korea has decreased from 43,000 to 28,500 since 1991, South Korea’s SMA contributions increased by 6.3% in the same period. SMA negotiations generally occur every five years, but the current talks between Washington and Seoul aim to renew an accord which was signed in February of last year. The deal signed last year already raised Seoul’s previous annual contribution by approximately 8%. South Korea’s payments, which were a combination of in-kind and cash contributions, fell into three categories—labor for the Koreans who work on U.S. bases, logistics, and construction of U.S. facilities—but in order to meet the new demands by the Trump administration, negotiators are seeking a new framework for burden-sharing, including adding a new category, such as “readiness,” to justify the new number being demanded by President Trump. There have been six rounds of negotiations since last year and the 7th round is about to start, but currently the U.S. and South Korea are at an impasse. The SMA negotiations are at a critical stage because if there’s no agreement soon, the contingency funds to pay for South Korean workers servicing U.S. bases will run out by March 31 and these workers will be furloughed by April 1.

The problem for Seoul is that the Moon Jae-in administration has to contend with the public and even the pro-U.S. opposition parties, who are united in strongly opposing the Trump administration’s SMA demands. One poll in November 2019 showed 96% of the public opposed the hike.¹⁸ A CSIS Beyond Parallel and Predata study has found that the U.S. demands for \$5 billion are generating the highest-ever levels of social media and video commentary critical of U.S. forces in Korea.¹⁹

Even if the Moon administration agrees to step up and pay substantially more to satisfy demands made by President Trump, it will unlikely be approved by the National Assembly. A nation-wide National Assembly election will be held in Seoul on April 15, which further complicates the negotiations. President Moon belongs to the ruling Minjoo Party, which controls a plurality of seats in the National Assembly, but his approval ratings have fallen to about 47%, due in part to discontent over South Korea’s slowing economic performance and political scandals involving his Cabinet.²⁰ Given his tenuous political position, he is extremely reluctant to meet Trump’s deeply unpopular demands for a steep increase in South Korean SMA contributions. President Trump’s

¹⁷ John Letman, “USAG Humphreys: The Story Behind America’s Biggest Overseas Base,” *The Diplomat*, November 16, 2017, <https://thediplomat.com/2017/11/camp-humphreys-the-story-behind-americas-biggest-overseas-base/>

¹⁸ William Gallo, “Poll: S. Koreans Oppose Trump’s Cost-sharing Demands, but Support Alliance,” *Voice of America*, November 6, 2019, <https://www.voanews.com/east-asia-pacific/poll-s-koreans-oppose-trumps-cost-sharing-demands-support-alliance>

¹⁹ Victor Cha, Eric Falcon and Bryce Pedersen, “U.S.-South Korea Cost-Sharing Negotiations Impacting Korea Public Support for U.S. Security Umbrella,” *CSIS Beyond Parallel*, November 26, 2019, <https://beyondparallel.csis.org/u-s-south-korea-cost-sharing-negotiations-impacting-korean-public-support-for-u-s-security-umbrella/>. Predata is a predictive analytics company that uses machine learning to surface early warnings hidden in online behavior.

²⁰ “Moon’s approval rating stands at 47%,” *Hankyoreh*, January 20, 2020, http://english.hani.co.kr/arti/english_edition/e_national/925067.html

demands, paired with his criticism of South Korea (the president, for example, was irate that the South Korean film “Parasite” won the Academy Award for Best Picture) and the value of the U.S.-South Korea alliance, have caused deep concerns in Seoul about the future of the alliance with the United States.

How should the U.S. navigate these contentious waters of burden-sharing negotiations when sharp differences remain between Washington and Seoul, and later likely between Washington and Tokyo? Michael O’Hanlon from Brookings writes that South Korea might indeed spend \$5 billion more a year, but it should be on its own forces instead of ours.²¹ So what we should do first and foremost is to support both Korea and Japan’s enhancement of their own defense capabilities by purchasing U.S. arms. If South Korea and Japan, as the two linchpins of the U.S. alliance in Northeast Asia, improve their independent deterrence against common threats such as North Korea and China, it will result in reducing the security burden on the U.S. in the region.

South Korea is among the top customers for U.S. Foreign Military Sales (FMS) with approximately 75% of its total foreign defense purchases coming in the form of FMS and commercial sales from U.S. companies.²² South Korea purchases more than \$5 billion in American weapons every year. Its arms imports from the U.S. totaled \$30.3 billion during the 2006-2018 period, and South Korea has proposed additional imports of U.S. arms of about \$10.6 billion in the 2019-2021 time period. But there is more South Korea can do, particularly in upgrading key parts of its command and control. Japan, too, is also a major purchaser of U.S. defense equipment. Between 2009 and 2018, Japan was among the top 10 recipients of deliveries of major conventional weapons from the United States, spending an average of \$363.9 million per year, which accounts for between 83% and 97% of Japan’s arms imports. It has also made significant defense reforms in recent years, but more strides are needed to enhance interoperability with U.S. forces. We should acknowledge the billions of dollars already committed by South Korea and Japan and continue to encourage these efforts which will contribute not only to South Korean and Japanese security but also provides benefits to the U.S.

The United States should not accuse South Korea and Japan of being “free-riders” who are not pulling their own weight. Rather, the U.S. needs to make an argument to our allies that contributing more to cover, for example, local and incremental costs associated with the presence of U.S. forces on their territories, as well as contributing to training, maintenance, and equipment of the American forces, are in *their* security interest. South Korea is also looking to make more indirect contributions by paying, for example, the cost for anti-piracy operations in the Gulf of Aden and sending South Korean troops to the Strait of Hormuz. These efforts should be further encouraged. Instead of continuing excessive demands that will rupture our alliances, the U.S. should encourage more realistic, incremental increases in their burden sharing contributions, while making clear that Americans greatly value these alliances and appreciate all that South Korea and Japan contribute to our mutual security. President Trump’s overheated tweets do not help to preserve these vital relationships and in fact needlessly exacerbate tensions with our closest allies.

²¹ Michael E. O’Hanlon, “What is Going on With the United States Alliance with South Korea?”, *Brookings Institution*, November 27, 2019, <https://www.brookings.edu/blog/order-from-chaos/2019/11/27/what-is-going-on-with-the-united-states-alliance-with-south-korea/>

²² “U.S.-South Korea Alliance: Issues for Congress,” *Congressional Research Service*, December 10, 2019, <https://crsreports.congress.gov/product/pdf/IF/IF11388>