

Understanding defense burden-sharing

“There is only one thing worse than fighting with allies, and that is fighting without them.”

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The ROK-U.S. alliance is being shaken by the issue of defense burden-sharing. U.S. National Security Adviser Robert O'Brien recently stated that he believed “wealthy South Korea should cover the cost of stationing U.S. forces,” adding that South Korea runs an annual trade surplus with the United States of over \$17 billion. There is growing worry that if negotiations on defense burden-sharing break down, it could lead to a reduction or even the withdrawal of U.S. troops from South Korea. The Trump administration is demanding South Korea increase its current annual contribution of \$900 million by five-fold. Leading U.S. media and experts have expressed their worries.

South Korea is the world's 10th largest economy, and it is true that the ROK-U.S. alliance has contributed to South Korea's prosperity. However, it would be hard to find another U.S. ally that shoulders a defense burden as great as South Korea. For example, Japan has a GDP per capita of \$40,000 and spends about 1% of its GDP on defense while Germany has a GDP per capita of \$47,000 and spends 1.2% on defense. In contrast, South Korea has a GDP per capita of \$30,000 yet spends 2.5% on defense, more than double that of other allies.

Immediately after taking office, President Trump demanded NATO members increase their defense spending, yet they only increased their defense budget by 5%. In 2017, President Trump boasted that this was a big accomplishment he made. Demanding more than a five-fold increase in burden-sharing from South Korea, therefore, calls into question the sincerity and fairness of the proposal.

Defense burden-sharing per person in South Korea is 15 dollars, whereas in Japan is 10 dollars and in Germany is 4 dollars. Since defense burden-sharing started in 1991, South Korea has continuously increased its contribution.

Beyond defense burden-sharing, South Korea purchases more than \$5 billion in American weapons every year. It also provides about \$1.8 billion in additional support to U.S. Forces Korea through programs such as land lease and utility tax exemptions. Most notably, South

Korea shouldered over 90% of the nearly \$11 billion construction cost of Camp Humphreys, which is the largest and most modern overseas base of the United States.

Is it reasonable to say that South Korea should pay more simply because it has an annual trade surplus of \$17 billion with the United States? Generally speaking, it is too simplistic to regard a country's trade deficit as its economic loss. For instance, even though Korea's economy rapidly grew by 7 to 13% annually during the 1970s and 1980s, it continued to run a trade deficit, and it was only in 1986 that South Korea recorded its first trade surplus. Similarly, the United States had its largest trade deficit of \$627 billion in 2018, the biggest since the 2008 global financial crisis, yet also recorded an economic growth rate of 3%. Recently the U.S. unemployment rate has decreased to a historic low of 3.5%. These numbers demonstrate that trade deficits are not necessarily economic losses.

The ROK-U.S. trade balance is determined by the structure of production and consumption, as well as the exchange rate and interest rate of South Korea and the United States, rather than unfair South Korean trade practices. Not only can U.S. consumers buy low-price, high-quality goods from South Korea, but American companies that use Korean exports as parts and components can also benefit from lower costs. Most importantly, since much of South Korea's trade surplus is fed back into the U.S. economy through Treasury bond purchases by the Korean government and investment in the U.S. by Korean companies, it is incorrect to claim that the trade deficit is a loss for the United States.

What is important is the fact that the United States has been able to maintain its leadership of the global financial system by running a trade deficit. In order for the U.S. dollar to serve as a global currency, other countries must be able to hold dollar reserves, a key means of which is the US trade deficit. The U.S. dollar remains the world's key currency because countries around the world want to "trade, save, borrow, and hold reserve in dollars", this enables the United States to dominate the global financial market.

It is not wise to undermine the ROK-U.S. alliance by assuming extreme scenarios, such as talk of the possible reduction or withdrawal of U.S. troops in Korea. If American troops were withdrawn from South Korea, they would not be disbanded but would simply be relocated to somewhere in the continental U.S. Instead of reducing the U.S. defense budget, such a move would only increase their maintenance costs.

Defense burden-sharing negotiations must proceed on the basis of "good faith." Demands without respect for allies could trigger anti-American sentiments in South Korea and weaken the alliance.

Alliance-building is possible only when two or more countries share common security objectives. In order to maintain a healthy alliance, the United States must recognize that

South Korea is the frontline of U.S. security. Let us look back at the period before the establishment of the ROK-U.S. alliance. The Cold War had begun after World War II, but the United States declared the Acheson Line in January 1950 that put South Korea outside of the U.S. defense line in the Far East. This led North Korea to believe that the United States would not intervene even if it invaded South Korea, resulting in the Korean War which led to approximately four million Korean casualties. South Koreans suffered greatly as American politicians wavered between isolationism and interventionism, idealism and realism. It took several decades to overcome the devastation of war and build Korea's modern economy. The sacrifices and suffering our people made cannot be counted in dollars.

Even when confronted by excessive U.S. demands, South Korea must refrain from an emotional response. Let us look at the security environment of South Korea. We are uniquely surrounded by countries like Russia, China, North Korea, and Japan who harbor territorial ambitions over the Korean Peninsula. If we are able to confront adversaries and defend our freedom and survival all by ourselves, that would be ideal. But, in reality, that is impossible. Therefore, it is only rational that we seek prosperity and survival by forming an alliance with a country that does not have territorial ambitions. Fortunately, the United States, located across the Pacific Ocean, does not seem to possess territorial ambitions on the Korean Peninsula.

Winston Churchill once said, "There is only one thing worse than fighting with allies, and that is fighting without them." Under the situation of growing North Korean nuclear threats and rising ambitions of neighboring powers, who is South Korea's trusted ally?

* The view expressed herein does not necessarily reflect the views of the Asan Institute for Policy Studies