

SCALE-UP SCOPE OF BURDEN-SHARING WITH SOUTH KOREA

ISSUE	<p>Host Nation Support (HNS) for U.S. troops serving abroad has been a source of significant tension in the U.S.–South Korea alliance, yet the focus of the contention has centered on a relatively narrow agreement known as the Special Measures Agreement (SMA). The SMA provides financial support to defray the cost of hosting the U.S. military on the Korean Peninsula, mostly payment to South Korean workers on U.S. bases, utility bills, and maintenance costs. Lost in the debate are the larger-ticket items that Seoul absorbs, such as paying 90% of the USD11 billion cost of Camp Humphreys, the largest overseas U.S. military base. South Korea’s wealth affords it a large defense budget—nearly USD50 billion in 2023, about 2.5% of its GDP, far beyond NATO countries’ allotment, and 13% of its national budget, comparable to the U.S. rate.</p>
SIGNIFICANCE	<p>The U.S.-ROK alliance is critical for deterrence from the Democratic People’s Republic of Korea (DPRK) and Chinese threats and cannot afford to be damaged over relatively small cost differences. The Korean defense industry has blossomed in recent years, investing in its own defense and becoming an emerging powerhouse in arms exports, about USD14 billion in 2023. Defense industrial cooperation would generate revenue for U.S. arms manufacturers by taking advantage of South Korea’s advanced industrial base and technological capabilities. Artillery ammunition, crewless systems, helicopters, and ground combat vehicles are among the areas in which South Korea has strong advantages.</p>
RECOMMENDED COURSE OF ACTION	<p>Instead of the SMA agreement, the United States should pursue more impactful and more profitable efforts in defense industry cooperation. Both countries struggle with capacity in their industrial bases; by combining efforts, the allies could expand output. Production of co-developed systems in South Korea could ease supply chain concerns and, potentially, position arms in the region in case of an armed conflict. U.S. engagement with the Korean defense industry could boost deterrence, increase contracts for American companies, and push Seoul to invest more heavily in providing for its own defense.</p>