"Do not talk about money between friends," goes a Korean proverb on the wisdom of avoiding this delicate subject because it can erode trust even among the closest of friends.

South Korea and the US are steadfast friends, bound by an alliance, shared values and a decades-old commitment to stability on the Korean Peninsula and in Northeast Asia. But even that long-held friendship can be sorely strained when the testy issue of money comes into play. It’s time for transparency from the US, writes Myung-bok Bae.

In principle, the US should bear the full cost as stipulated in the Status of Forces Agreement (SOFA), which was concluded in 1967 in accordance with the South Korea-US Mutual Defense Treaty, signed at the end of the Korean War. Article 5 of SOFA states that the Korean side will provide the US with land and facilities while the American side will be responsible for the expense of stationing US forces. At the time the two countries negotiated the agreement, South Korea was one of the poorest countries in the world. Even though it wanted to share costs, it could not afford to. Article 5 therefore reflected the dire economic condition of South Korea in the 1960s.

The story changed with South Korea’s rapid economic development in subsequent decades, especially since the 1980s. Under the administration of US President Ronald Reagan, meanwhile, the US invested heavily in defense spending in order to widen the military gap with the Soviet Union. As a result, the US started to suffer significant budget deficits mainly due to this military spending. That’s when the US began to urge South Korea to share the stationing costs for US forces there. As South Korea depends on the US to counter North Korea’s military threat, it was hard for Seoul to refuse Washington’s demand. Both sides then set aside Article 5 and adopted the SMA, which was first agreed in 1991 and has been periodically renegotiated.

The eighth SMA, which was valid for five years, was agreed in 2008 and expires this year. South Korea and the US are thus currently negotiating the terms of the ninth SMA, which will take effect from next year. The negotiations will decide whether the new agreement will last for two, three or five years. As of now, the negotiators appointed by their respective governments are alternating between Seoul and Washington for intense discussions. South Korea wants to give as little as possible, while the US wants to get as much as possible. Adding urgency to the US position are the so-called sequester cuts to federal spending imposed earlier this year, which call for $600 billion in US defense spending reductions over the next 10 years.

Eventually, it is a question of the burden that falls on each country’s taxpayers. The more taxes South Korean citizens pay for basing costs, the less US citizens will have to pay, and vice versa. Needless to say, this is an ugly thing between friends. Theoretically, South Korea, as the giver in this equation, should have the upper hand in these negotiations. But that’s far from the reality.

South Korea’s contribution to stationing costs for United States Forces Korea (USFK) has increased from 107.3 billion won in 1991, the year of the first SMA, to 869.5 billion won this year (from $98 million in 1991 to $869.5 million in 2013).
12.1 trillion won to the US. In the same period, South Korea's defense budget has increased by 4.6 times from 7.4 trillion won to 34.6 trillion won, whereas Korea's share of US stationing costs expanded by 8.1 times. The cost sharing as a portion of South Korea's total defense budget has risen from 1.5 percent to 2.5 percent. The 869.5 billion won that Korea is paying in 2013 to support 28,500 American soldiers on Korean soil is equal to 1.45 times the total personnel costs for Korea's own 441,500 conscripted soldiers.

It is understandable that South Korea should pay a portion of the costs to maintain US forces in the country, because a considerable part of Korea's national defense is dependent on the US. Despite the fact that this burden sharing is technically a violation of SOFA, there are very few South Koreans who would encourage the radical step of not paying a penny.

The problem is the US method of calculating the costs and contributions. As things stand now, the US unilaterally proposes the non-personnel stationing costs (NPSC), and Seoul and Washington then approve this without informing its citizens. The US just kept the money. Strictly speaking, that is a misuse of South Korean public money and a form of misappropriation. It goes against the base relocation agreement, which says that the US would pay for the relocation costs of the 2nd Infantry Division.

But the South Korean government tacitly approved this without informing its citizens. The National Assembly has been a rubber stamp, diverting the funds to help pay for the relocation of the 2nd Infantry Division from Camp Casey, north of Seoul, to Camp Humphreys, about 70 kilometers south of the capital. The US seems to think that it can use the money however it wants once in its pocket. After a planned construction project was canceled due to the 2nd Infantry Division relocation, the US just kept the money. Strictly speaking, that is a misuse of South Korean public money and a form of misappropriation. It goes against the base relocation agreement, which says that the US would pay for the relocation costs of the 2nd Infantry Division.

The Year 2013 will be more crucial in this regard because a significant portion of the US stationing costs is renegotiated. The US has raised its demand for stationing costs to 1 trillion won, which is 8.1 times Korea's current contribution. The US wants this amount to be paid in full without the 40 percent discount applied to the current amount.

To make matters more complicated, since 2002 the US has not spent the full budget for military construction costs provided by Korea, electing to save the unspent balance. Up to 2012, a total of 761.1 billion won had been accumulated. When excessive cost-sharing became an issue, the US diverted the funds to help pay for the relocation of the 2nd Infantry Division from Camp Casey, north of Seoul, to Camp Humphreys, about 70 kilometers south of the capital. The US seems to think that it can use the money however it wants once in its pocket. After a planned construction project was canceled due to the 2nd Infantry Division relocation, the US just kept the money. Strictly speaking, that is a misuse of South Korean public money and a form of misappropriation. It goes against the base relocation agreement, which says that the US would pay for the relocation costs of the 2nd Infantry Division.

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The best policy is not to deal with money between friends, but when it is unavoidable, the deal must be clear and transparent. Ambiguity results in mutual distrust and dissatisfaction. When close friends must talk about money, the discussion should be precise and detailed, leaving no gray areas. Otherwise, trust will be in danger. This is wisdom to be remembered by both Seoul and Washington.

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