



# The Future of the Korean Peninsula and Beyond Next Generation Policy Perspectives

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## Table of Contents

<b>The Future of the Korean Peninsula and Beyond: Next-Generation Policy Perspectives</b>	
Introduction by Susan A. Thornton.....	5
<b>A “New Deal” to Securing Prosperity? Understanding Economic Policy under President Moon Jae-in</b>	
Chris Khatouki .....	8
<b>South Korea and Democracy Promotion: Present and Future</b>	
Benjamin Engel.....	25
<b>Humanitarian (Re)engagement: Supporting North Korean Human Security in the Age of COVID-19</b>	
Nazanin Zadeh-Cummings.....	38
<b>South Korea’s Strategic Calculus and National Security Strategy</b>	
Jun Lee.....	51
<b>South Korea’s Greater Engagement with NATO and Europe: Becoming a Reliable Security Partner Through a Thriving Defense Industry</b>	
Francesca Frassinetti .....	65
<b>Revisiting Seoul’s Nuclear Strategy Under the Rising Regional Threat Perceptions</b>	
Lokman Karadag.....	81
<b>Exodus or Stay? Addressing South Korea and Taiwan’s China Dilemma in Semiconductors amid Mounting Challenges</b>	
Yifei Zhu.....	92
<b>North Korea’s Peacetime Cyber Capabilities: A New Emerging Sub-strategic Threat</b>	
Abhishek Sharma .....	105
<b>OSINT as a North Korea Nuclear Policy Tool</b>	
Jamie Withorne .....	120
<b>A New Framework for U.S. Nuclear Negotiations with the DPRK</b>	
Marialaura De Angelis .....	132
<b>Stir Up the Hornet’s Nest: How to Exploit the Friction Between China and North Korea</b>	
Dylan Motin .....	148

# South Korea's Greater Engagement with NATO and Europe: Becoming a Reliable Security Partner Through a Thriving Defense Industry

Francesca Frassinetti

## Executive Summary

Consecutive rounds of defense reforms across progressive and conservative administrations have resulted in South Korea being the world's eighth largest arms exporter. Particularly under former President Moon Jae-in, the government leveraged high defense budgets to develop more homegrown capabilities, with an eye to ratcheting up military sales. That was based on a national defense approach, which assumed the contours of an all-out push for greater self-reliance within and beyond the U.S.-ROK alliance. As the global and regional security environment are in flux, current President Yoon Suk Yeol has set an even more ambitious goal of joining the "Big 4" suppliers of weapons and military systems.

In the wake of Russia's aggression of Ukraine, South Korea's security engagement with NATO and Europe has scaled up also through some lucrative arms deals adding to those previously inked by South Koreans in the Indo-Pacific and the MENA region. While major Western defense industries are undergoing a multi-year process to backfill military transfers to Kyiv, the volume and content of recent defense procurement contracts, particularly the expected supply of South Korean indigenous military hardware to the Polish armed forces, suggest that South Korean companies might be in the position to step in where other defense market actors have stumbled.

Although not enough time has passed to make any determination on that, this paper contains some preliminary observations about the kind of advantage that Korean contractors hold vis-à-vis more established competitors, and proposes a series of recommendations for tackling current limitations, which cast some doubt upon the Yoon government's declared objectives. In the midst of high demand coupled with budget pressures in every country, South Korean industry and government are successfully filling the niche of good defense hardware for the price, but admittedly not the highest available technology. In order to translate temporary advantages in selected niches into permanent leading positions, South Korean public and private stakeholders involved in the defense business should:

- Create better conditions for building the next generation of homegrown technology by boosting R&D spending and by fostering the contribution of SMEs. On the other hand, domestic resources are unlikely to meet the planned production of fifth or sixth generation defense items or technologies of the Fourth industrial revolution on their own, which reinforces the need to acknowledge the value of working with Western defense tech companies including to move U.S.-ROK collaboration to a new level.
- Take stock of the lessons learned in the context of the war in Ukraine by making sure to run efficient delivery schedules and provide stable follow-up on logistical support to clients after purchasing South Korean weapons. Both can serve the added benefit of strengthening South Koreans' reputation and reliability in the long-term.
- Double down on South Korea's growing defense ties with Europe by investing in expanding Defense Acquisition and Procurement Administration (DAPA)'s personnel and knowledge of the European defence supply chain and the business conditions across national defence industries. This in turn will help in handling potential drawbacks to greater engagement between South Korean defense industry and single European buyers.

## Introduction

South Korea is the only Asian country to have three key agreements covering economic, political, and security affairs with the European Union (EU) in operation, which signal the importance that EU member states accord to their relationship with Seoul. On the South Korean side, one of the first decisions of Yoon Suk Yeol as president was sending a special envoy to the EU and Europe, following in the footsteps of Moon Jae-in, who was the first South Korean president ever to do so. This decision showed a bipartisan consensus that it is in the interests of South Korea to enhance ties with Europe. Before unveiling its Indo-Pacific strategy, Brussels used to be regarded mainly as an economic partner by South Korean counterparts. Arguably, the economic dimension of the partnership is the area where most significant progress has been made so far.

Nevertheless, South Korea's growing security links with countries of Europe and NATO and the impact of Russia's invasion of Ukraine have turned the spotlight in Seoul on new incentives to deepen mutual ties aside from the well-established cooperation on maritime security, nonproliferation, counterterrorism, and cyber defense.<sup>1</sup> In this regard, the series of arms deals that South Korean defense firms have cut in Europe adds a layer to the bilateral

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1 In May 2022, South Korea became the first Asian country to be admitted as a contributing participant to NATO's Cooperative Cyber Defense Center of Excellence, a cyberdefense hub established in May 2008 in Tallinn (Estonia).



President Yoon Suk Yeol meets with NATO Secretary General Jens Stoltenberg at the NATO Summit in Madrid on June 30, 2022.

and multilateral relations, and perhaps have been encouraging a newfound appreciation for Seoul's connections with Europe and NATO.<sup>2</sup>

Moreover, the significance of greater security engagement can be tied to the fact that, in recent years, South Korea and several countries in Europe have been the targets of Chinese and Russian coercion strategies. Therefore, initiatives aimed at diversifying partnerships including enhancing cooperation in the defense field have become critical for many European and Asian countries to mitigate the effects of intensifying U.S.-China rivalry. With regard to South Korea, the diversification effort is vital because history shows that when Seoul projects its ambitions away from the highly contested Northeast Asian security environment, South Korea can develop more agency in international affairs.

As for the conflict in Ukraine, its impacts have reached countries far from the battleground, including those in East Asia. These inflection points in terms of history of the global order have presented an immediate testing ground for the Yoon administration to live up to its word in pursuing a values-based foreign policy. Whether in Seoul, Brussels, or Washington, pundits have argued about the merits and to some extent the shortcomings of Korea's official policy of not offering lethal aid directly to Ukraine resistance. Yet, by selling arms to Eastern European countries, Seoul is contributing indirectly to the efforts of frontline U.S. allies, which brings into play other types of implications for South Korea derived from the

2 This argument draws on the author's participation in the panel discussion with Dr. Hae-Won Jun (IFANS), Prof. Si Hong Kim (HUFS) and Mr Lorenzo Mariani (TEPSA), "The Yoon Suk Yeol presidency and the future of South Korea's foreign policy," Istituto Affari Internazionali (IAI), Rome, September 29, 2022.

war in Ukraine. If Seoul wishes to play in the “major league” of defense procurement, its military and policy elites should draw important lessons for the country’s defense and security outlook from the challenges currently facing Western defense-industrial landscape.

## The Moon Jae-in Administration: Less Dove Than You Think

Moon Jae-in’s relentless lobbying for rapprochement with Pyongyang was based on the premise of a strong military. The former president defied conservative critique that a progressive administration would weaken South Korea’s military posture. Instead, President Moon invested heavily in the defense sector, leading to an increase in defense spending year on year of 6.4 percent on average, which not only surpassed his conservative predecessors but also Japan’s in 2018.<sup>3</sup> From the outset of his term, defense reform was placed very high on the presidential agenda and in doing so, President Moon largely abided by the prevailing conceptualization of defense in the progressive camp, centered on the necessity to build up robust and indigenous capabilities. To be clear, Park Chung-hee and Roh Tae-woo also held ambitions for greater autonomy in national defense during their presidencies. Overall, this echoes the quest for self-determination, which is rooted in South Koreans’ history of subjugation to the will of external powers.

President Moon aimed to continue from where his political mentor Roh Moo-hyun left off. In 2006, the Roh administration laid the groundwork for the country’s military modernization trajectory in the post-authoritarian era, scoring the biggest year-on-year rise in national defense budget to date (8.9 percent on average).<sup>4</sup> While President Roh was pursuing reconciliation with North Korea, the main impetus for his “Defense Reform 2020” came instead from declining birth rates, a demographic challenge that has only gotten worse. Currently, the government estimates that the total population may have already peaked.<sup>5</sup> Since well over half of the military is made up of draftees, taking advantage of cutting-edge technologies is key to address this concerning demographic shift and reduce standing troop levels to 500,000 by 2022.<sup>6</sup>

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3 The annual defense budget for the period 2018–2022 published by ROK Ministry of National Defense (MND) is available at: [https://www.mnd.go.kr/mbshome/mbs/mnd/subview.jsp?id=mnd\\_010401020000](https://www.mnd.go.kr/mbshome/mbs/mnd/subview.jsp?id=mnd_010401020000).

4 “‘지평선’ 진보정권의 국방비 [‘Horizon’ Progressive Government’s Defense Expenditure],” *Hankook Ilbo*, August 28, 2018, <https://www.hankookilbo.com/News/Read/201808281569048117>.

5 Statistics Korea, “Population Projections for Korea (2020–2070),” December 9, 2021, <https://kostat.go.kr/portal/eng/pressReleases/8/1/index.board>.

6 “S. Korea to reduce troop numbers to 500,000 by 2022,” *Yonhap News Agency*, November 6, 2019, <https://en.yna.co.kr/view/AEN20191106001600320>.



President Moon’s “Defense Reform 2.0” was driven by three major goals: 1) consolidating the defense structure to enhance capabilities; 2) capitalizing on the Fourth industrial revolution to overcome resource constraints and address emerging threats in new security domains; and 3) reflecting on the demands from society—including addressing negative demographic trends—in order to garner domestic support.<sup>7</sup>

Against the backdrop of traditional and emerging security threats, the Moon administration unlocked an impressive level of financial support to limit reliance on foreign defense equipment and to encourage homegrown technology as well as locally produced components and complete systems. For their part, the South Korean armed forces have broadened their focus beyond the constant challenge from the North Korean regime. For instance, concerns about disruptive Chinese behaviour in the South China Sea—through which two-thirds of South Korean crude oil imports pass—have led to a reallocation of funds to the ROK Navy, as well as to the Coastguard and Air Force, which have long faced Chinese coercion in the West Sea due to contested demarcation lines.

Another set of motives for enhancing domestic capabilities has been linked to South Korea’s refusal over the years to participate in regional ballistic-missile defense cooperation. Both progressives and conservatives have rejected repeated U.S. offers to join an arrangement with Washington and Tokyo in spite of clear benefits stemming from geometry and greater effect. Part of the reason has to do with South Korea’s reluctance to work with Japan, but it is also related to the fact that Seoul needs to balance its defense ambitions with fluctuating levels of trust in security guarantees from Washington.<sup>8</sup> For South Korean policymakers, Trumpism still looms large in the political future of the U.S. During the Trump era, frictions over the management of the alliance caused deep anxiety about U.S. commitment to South Korea’s defense, fuelling greater urgency in arms development and preparation for the transfer of wartime operational control (OPCON).

The “Defense Reform 2.0” echoed similar objectives pursued by previous governments that prioritized defense reform and development. The outcome has been a relative degree of continuity. This further corroborates the growing consensus over the fact that in the last twenty years, progressive and conservative administrations have shown more similarities than differences in their foreign policies, despite issues of consistency and continuity that are often associated with a single five-year presidential mandate.<sup>9</sup> Compared to domestic politics where issues can be more prone to partisanship, in Korean foreign and defense

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7 ROK Ministry of National Defense (MND), “2020 White Paper 2020,” 53.

8 Joshua H. Pollack & Minji Kim (2020). “South Korea’s missile forces and the emergence of triangular strategic (in)stability,” *The Nonproliferation Review*, 27: 1–3, 3.

9 See Jeffrey Robertson, “Foreign policy in South Korea’s presidential election,” The University of Melbourne, *Asialink Insights*, February 23, 2022, <https://asialink.unimelb.edu.au/insights/foreign-policy-in-south-koreas-presidential-election>.

policy slight alterations in the rhetoric or performance of ROK foreign and defense policies have emerged, yet without leading to substantive swings.

For instance, diverging priorities have influenced issues like resource allocation to military branches, as shown by the exclusion of the CVX aircraft carrier project—the ROK Navy’s long-held aspiration to secure an indigenous light aircraft carrier initiated under Moon—from the 2023 defense budget.<sup>10</sup> Nevertheless, the fact that the Ministry of National Defense should establish a “basic plan for national defense reform with regard to the innovation of national defense operating system, the reorganization of the military structure, and the improvement of a military base culture [...] in order to efficiently promote national defense reform” has guaranteed that innovation should be at the core of successive reforms.<sup>11</sup>

As a result of the above-mentioned goals and efforts, in fall 2021, the Moon government unveiled several new arms systems while North Korea was resuming missile testing activities. That display of military prowess from both Koreas has been framed through a revival of the arms race narrative. This paradigm can capture the power imbalance on the Korean Peninsula across the conventional and nuclear domains. However, it inadequately explains South Korea’s enhanced military spending as it tends to oversimplify Seoul’s priorities and ambitions.<sup>12</sup> This does not imply that the threat from North Korea should be downsized. In fact, adding to the gravity of the threat itself, one should consider the tit-for-tat, action-reaction military dynamic, which raises the risks of miscalculation or accident for all parties involved. Still, the point here is that there is more than meets the eye to South Korea’s increased defense activism meaning that its military programs should not be understood solely as a reaction to North Korea’s expansion and refinement of its arsenal.

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10 Juho Lee, “CVX Officially Axed From South Korean Defense Budget In 2023,” *Naval News*, August 31, 2022, <https://www.navalnews.com/naval-news/2022/08/cvx-officially-axed-from-south-korean-defense-budget-in-2023/>.

11 National Defense Reform Act, art. 5 par. 1. The Act was enacted in December 2006 and most recently amended in March 2017, [https://elaw.klri.re.kr/eng\\_mobile/ganadaDetail.do?hseq=43954&type=abc&key=NATIONAL%20DEFENSE%20REFORM%20ACT&param=N](https://elaw.klri.re.kr/eng_mobile/ganadaDetail.do?hseq=43954&type=abc&key=NATIONAL%20DEFENSE%20REFORM%20ACT&param=N).

12 For an in-depth effort to confute the overriding arms-race narrative through an analysis of ROK specific defense acquisitions see: Alex Catellier and Markus Garlauskas, “Debunking the Korean Peninsula ‘Arms Race’: What’s Behind South Korea’s Military Force Development?,” *Academic Paper Series*, Korea Economic Institute, June 2, 2022, <https://keia.org/publication/debunking-the-korean-peninsula-arms-race-whats-behind-south-koreas-military-force-development/>.

## Stumbling Blocks to Reaching Defense Self-Reliance

Since the ROK defense industry was established more than forty years ago, the guiding principle of military acquisition strategies has been that of buttressing the competitiveness of domestic companies to retain preparedness for self-reliant national defense.<sup>13</sup> At the beginning, the country was completely dependent on purchasing U.S. weapons systems through military assistance from Washington. Afterwards, South Korea acquired U.S. defense equipment through technology transfer according to which Korean firms supplied American counterparts with components through offset trade. Thanks to licensed production agreements and reverse engineering, South Korea has managed to become relatively successful in meeting most of its domestic demand by producing items through its own effort.<sup>14</sup>

Data from the Korea Defense Industry Association indicates that the overall indigenization rate has increased from 70.7 percent to 75.5 percent between 2015 and 2019; however, the dependence on foreign suppliers has not been entirely eliminated, especially for the core parts needed in the aerospace sector.<sup>15</sup> Unsurprisingly, between 2016 and 2021, about 78 percent of American foreign arms sales were directed to South Korea. While the alliance has become less asymmetrical, the two countries have not been able to move over the stage of offsets, which is indeed a persistent hurdle in the U.S.-ROK relationship.<sup>16</sup> In other words, Washington and Seoul have not been able to take a leap forward toward what John Hamre, President of the Center for Strategic and International Studies (CSIS), called “third generation” defense industrial cooperation, which refers to pooling efforts from development base to production and marketing.<sup>17</sup>

To address this specific issue, a solution might come from signing a Reciprocal Defense Procurement Agreement (RDP-A). The often-called “defense FTA” was first addressed by the South Korean government in the late 1980s but has recently gained renewed attention as part of the “110 key policy tasks” of President Yoon and discussed with President

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13 The most recent amendment to the Defense Acquisition Program Act (2006) was in March 2020, [https://elaw.klri.re.kr/eng\\_mobile/viewer.do?hseq=54104&type=part&key=13](https://elaw.klri.re.kr/eng_mobile/viewer.do?hseq=54104&type=part&key=13).

14 Richard Bitzinger, “The Defense Industry of the Republic of Korea,” in Keith Hartley and Jean Belin (eds.), *The Economics of the Global Defence Industry*, London: (Routledge, 2019), 378–395.

15 Department of Commerce of the United States of America, “Defense industry equipment,” *South Korea Country Commercial Guide*, August 2, 2022, <https://www.trade.gov/country-commercial-guides/south-korea-defense-industry-equipment>.

16 “CSIS-DAPA Conference 2021: U.S.-Korea Defense Cooperation in Biden Administration,” co-organized by the Center for Strategic and International Studies (CSIS) and the Defense Acquisition Program Administration (DAPA), Washington D.C., February 10, 2022, <https://www.csis.org/events/osis-dapa-conference-2021-us-korea-defense-cooperation-biden-administration>.

17 Ibid.

Biden during their meeting in May 2022.<sup>18</sup> While Washington has signed RDP Memoranda of Understanding (MOUs) with 28 countries, it has not been able to narrow down differences with Seoul. The former seeks reciprocal full access to the Korean defence procurement markets, whereas the latter is worried that its more vulnerable defense industrial base would take the brunt of this agreement.

## The South Korean Arms Export Boom

Over the years, the Korean government has come to view a thriving domestic defense sector also as an economic asset based on the expected returns from independent procurement processes. Hence the export of arms understood as new engines for domestic economic growth has been a core component of the defense and security reform process.

In February 2021, the Democratic Party-controlled National Assembly passed the “Act on Defense Industry Development” to beef up the presence of South Korean indigenous weapons and military items in both domestic and international markets. Six months later, the Defense Acquisition Program Administration (DAPA) introduced a new industrial policy, known as “Korea Defense Capability,” which favors the sourcing of South Korean-made defense articles over those produced abroad by placing a condition according to which all Korean defense procurement should be subject to an 80-20 percent quota between local and foreign products, respectively.<sup>19</sup>

An essential requirement to support international sales of defense platforms and components is to boost import-substitution efforts in terms of both research and development (R&D) and manufacturing activity. Despite the rapid developments outlined so far, South Korea’s defense industry continues to be plagued by challenges primarily in the R&D sector. In this regard, the “Defense Science and Technology Innovation Promotion Act,” in force since April 2021, is meant to advance national capability in military-technology R&D. Accordingly, the proportion of core technology R&D expenditure is set to increase from 9.4 percent in 2019 to 11.6 percent in 2023, and 15 percent in 2033.<sup>20</sup>

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18 The White House, “United States-Republic of Korea Leaders’ Joint Statement,” May 21, 2022, <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/21/united-states-republic-of-korea-leaders-joint-statement/>.

19 The United States Department of Commerce, “South Korea - Defense Industry Equipment,” *Country Commercial Guides*, August 2, 2022, <https://www.trade.gov/country-commercial-guides/south-korea-defense-industry-equipment>.

20 Defense Acquisition Program Administration (DAPA), “2022-2036 Defense Technology Plan,” April 18, 2022, <https://www.dapa.go.kr/dapa/na/ntt/selectNttInfo.do?bbsId=326&nttSn=41112&menuId=678>.

If compared to the United States, the overall competitiveness of South Korea’s defense industry is estimated between 80 to 90 percent, while product competitiveness encompassing price, technology, and quality is around 85 to 90 percent.<sup>21</sup> The fact that South Korean flagship K9 Thunder self-propelled howitzer, K2 tank, Redback armored vehicle, FA-50, logistics support ships and ammunitions score more than 90 percent suggests that Korean contractors have secured some niches for themselves in the international procurement market.<sup>22</sup>

The combination of political will, great outpouring of public resources, and a revision to the legal and policy framework has sought to improve conditions for bolstering indigenous arms sales. The rationale behind DAPA’s procurement strategy is to offer “deals tailored to accommodate the specific security challenges faced by each prospective buyer,” as described by the Export-Import (Exim) Bank of Korea in a recent report.<sup>23</sup> Against this backdrop, in 2021, South Korea’s outbound shipments exceeded imports of defense-related equipment for the first time, following a 177 percent increase in foreign sales compared with the 2012–2016 period, leading the country to sit at the eighth position of the world’s largest arms exporters.<sup>24</sup>

A major contribution came from the agreements that the Moon administration secured shortly before leaving office. These include some of the most profitable contracts for the country’s defense industry such as an MoU with Australia—the first Five Eyes country to receive South Korea’s main weapons platform—and the then-largest military supply agreement in South Korean history with the United Arab Emirates (UAE) for the provision of the Cheongung II medium-range surface-to-air missile system; the first foreign country to acquire a core element of South Korea’s missile defense program. However, it is in Europe that Korean attempts to join the defense procurement “major league” are expected to see the biggest returns.

## Poland on Defense Shopping Spree

Following contracts with Australia, Egypt and the UAE, the framework agreement reached with the Polish government last summer has drawn global attention on South Korea’s

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21 Korea Institute for Industrial Economic and Trade (KIET), “방위산업 통계 및 경쟁력 백서 [Defense Industry Statistics and Competitiveness White Paper],” various years, <https://www.kiet.re.kr/research/podataList>.

22 Ibid.

23 Export-Import Bank of Korea, “방위산업의 특성 및 수출전략 [Characteristics and Export Strategies of the Defense Industry],” Issue Report, 29 June, 2022, <https://keri.koreaexim.go.kr/HPHF0E054M01/101523?curPage=1#none>.

24 The Stockholm International Peace Research Institute (SIPRI), *Arms Transfers Database*, various years, <https://www.sipri.org/databases/armstransfers>.

soaring arms exports.<sup>25</sup> This is the largest deal for the South Korean defense industry and it is estimated to total USD 15–20 billion, which alone could dwarf South Korea’s last year entire arms sales that hit a record of over USD 7 billion.<sup>26</sup> According to the fulfilment contracts, Polish armed forces will get 980 units of K2 Black Panther tanks, 648 units of K9 self-propelled howitzers, and 48 units of Korea Aerospace Industries (KAI) FA-50 light fighter aircraft.<sup>27</sup> On October 2022, Hyundai Rotem and Hanwha Defense rolled out the first batch of 10 K2s and 24 K9s respectively to be exported to Poland.<sup>28</sup> Overall, South Korean contractors have committed to provide not only the “K-Defense 3-piece set” but also follow-up logistical support, technology transfer, and investment in local production.

Poland is the first NATO country other than Turkey to buy arms from South Korea, and this agreement might be very effective in strengthening Seoul’s commitment to European countries and NATO. Surely, it addresses Poland’s immediate and long-term security concerns. Polish officials have pledged an increase in the country’s defense spending to at least 3 percent of GDP from 2023 onwards in light of the gap between the defense budget of 1.99 percent of GDP for 2022 and total spending closer to 2.4 percent.<sup>29</sup> While considerations about obsolete Soviet-era stocks have long circulated among the Polish establishment, Russia’s military aggression has accelerated Warsaw’s moves towards equipment restructuring. Furthermore, Poland has provided astonishing levels of military aid to the Ukrainian forces so the government has been in serious need of rapid and reliable supplies. Citing one of the reasons why they chose South Korean suppliers, the Polish Minister of National Defense Mariusz Błaszczak observed that “other equipment manufacturers have not been able to deliver armament of that quality at such short notice, and

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25 It should be noted that this is not the first contact between Polish and Korean defense industries. In fact, in 2014, following Russia’s annexation of Crimea, Warsaw became the entry point for Korean contractors in the European defense market as Polish Huta Stalowa Wola (HSW) started cooperating with Korean Hanwha Defense to use its K9 chassis produced on license as a basis for the Krab howitzer. However, the size and scope of the framework agreement, signed in July 2022 by representatives of the Polish and South Korean Defense Ministries, signal a completely new level of engagement.

26 Andrew Salmon, “Korea’s biggest-ever arms deal to fortify NATO’s Poland,” *Asia Times*, July 28, 2022, <https://asiatimes.com/2022/07/koreas-biggest-ever-arms-deal-to-fortify-natos-poland/>.

27 The Ministry of National Defense of the Republic of Poland, “K2 tanks, K9 howitzers and FA-50 aircrafts—the Polish Army will receive powerful weapons, and the Polish defence industry will receive a strong impulse for development,” July 27, 2022, <https://www.gov.pl/web/national-defence/k2-tanks-k9-howitzers-and-fa-50-aircrafts--the-polish-army-will-receive-powerful-weapons-and-the-polish-defence-industry-will-receive-a-strong-impulse-for-development>.

28 Nam Hyun-woo, “China blocks Polish deputy PM’s Seoul visit,” *The Korea Times*, October 20, 2022, [https://www.koreatimes.co.kr/www/nation/2022/11/113\\_338205.html](https://www.koreatimes.co.kr/www/nation/2022/11/113_338205.html).

29 The Chancellery of the Prime Minister of the Republic of Poland, “The Prime Minister in Siedlce: the Polish budget is providing money for developing the Polish army,” September 5, 2022, <https://www.gov.pl/web/primeminister/the-prime-minister-in-siedlce-the-polish-budget-is-providing-money-for-developing-the-polish-army>.

with such broad collaboration with the Polish defense industry.”<sup>30</sup> For example, replacing Poland’s 200 Soviet type T-72 tanks at least partially with Leopard-2 based on a swift tank swap agreement with Germany turned out to be unviable because Berlin sent far fewer numbers than what was originally promised to Warsaw. That led Warsaw to opt for U.S. and South Korean defense contractors adding fuel to the Polish government’s anti-German rhetoric.<sup>31</sup> Similarly, after it was revealed that the U.S. would not be able to deliver all 500 HIMARS launchers in time, Poland downscaled the HIMARS demand, adding a request for 300 Korean Cheonmoo multiple rocket launchers instead.<sup>32</sup>

While the Yoon government shows no sign of willingness to re-evaluate its official policy of sending only non-lethal aid to Kyiv, in practice South Korea contributes in military terms to the Ukrainian resistance by selling arms to a NATO member country that is on the front-line of the conflict. Apart from political and moral considerations, it is possible that by helping Poland to modernize its armed forces more quickly, Warsaw has been able to free up its older systems that the Ukrainians were already proficient with. On the contrary, if South Korea had supplied new advanced systems directly to Kyiv, this might have required Ukrainian forces to spend more time in additional training.

## Moving ROK Cooperation with NATO and Europe a Step Closer

After decades of dedicated government policies and investments in domestic industrial capacity, a virtuous feedback dynamic has emerged where funding from defense procurement deals goes back into R&D, allowing Korean companies to further develop sophisticated platforms and equipment. The recent winning streak of Korean defense export is a case in point of Seoul’s growing capacity to supply advanced equipment to a range of countries in need. During the June 2022 NATO Summit, President Yoon sought to capitalize on the legacy of his predecessor brushing up South Korea’s profile as a valuable partner in international security matters, particularly for Central and Eastern European governments. As in

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- 30 Jędrzej Graf, “Poland to Buy 1,000 MBTs. Minister Błaszczak Also Outlines a Plan to Procure Extra F-35s or F-15s [INTERVIEW],” *Defense24*, July 27, 2022, <https://defence24.com/defence-policy/poland-to-buy-1000-mbts-minister-blaszczak-also-outlines-a-plan-to-procure-extra-f-35s-or-f-15s-interview>.
- 31 Hans von der Burchard, “Polish president accuses Germany of breaking promises on tanks for Ukraine,” *Politico Europe*, May 24, 2022, <https://www.politico.eu/article/polish-president-accuses-germany-of-breaching-promises-on-ukraine-related-tank-deliveries/>; Szymon Bachrynowski, “Merkel Failed To Tackle Grievances in German-Polish Affairs,” *Clingendael Spectator*, August 25, 2021, <https://spectator.clingendael.org/nl/publicatie/merkel-failed-tackle-grievances-german-polish-affairs>.
- 32 The Ministry of National Defense of the Republic of Poland, “K239 Chunmoo launchers will increase the Polish Armed Forces’ deterrence potential,” October 19, 2022, <https://www.gov.pl/web/national-defence/k239-chunmoo-launchers-will-increase-the-polish-armed-forces-deterrence-potential>.

the case with Australia, these contracts signal that South Korea is able and eager to supply more strategically relevant capabilities to key U.S. allies on the frontlines of Chinese and Russian coercion.

When negotiating the deal with the Polish government, Moscow warned Seoul not to provide any weapon to Central or Eastern European capitals; however, the South Korean government followed through, demonstrating that it can stand up to a certain amount of pressure. Things would have certainly been different if threats were coming from Beijing. The stakes are higher in South Korea's relations with China, as it can hardly be expected that the Yoon administration could take the same kind of risks and join an anti-China coalition. That would immediately lead Beijing to sever economic and diplomatic ties with Seoul. In light of this, pursuing greater collaboration with European countries and institutions also by playing a more active role in the international defense procurement markets feeds into Seoul's efforts to diversify its array of partners. This is particularly significant in the context of Yoon's vision of a "Global Pivotal State" in terms of seeking to achieve a certain amount of flexibility to weather regional and global constraints.

The surge in South Korea's arms sales in Europe and elsewhere partially reflects the troubles experienced by Western arms manufacturers that need to shore up diminishing inventories while supplying Ukraine's battle against Russia's invasion. Since the beginning of the war, many governments both in the U.S. and Europe have had to urgently reassess their national defense policies and visions because the existing systems for defense production based on traditional suppliers have proved to be lacking in terms of surge capacity and resiliency. The war has showed the limits of the Western-led response on various levels. Undoubtedly, drawing on the NATO alliance's advanced weapons has been critical to guarantee the survival of the Ukrainian forces.<sup>33</sup> However, the crisis has cemented European solidarity only superficially, as a Europe-based defense expert noted, while "deep down, it has enlarged the rift between 'old' and 'new' Europe."<sup>34</sup> Moreover, the fractures that have appeared at the level of the defense landscape have been caused by the many bottlenecks that can emerge quite easily due to the absence of economies of scale. To prevent further fragmentation within the European defense market, initiatives have been unfolding to promote more coordination and increase joint procurement among EU member states.<sup>35</sup>

The South Korean defense sector should monitor these developments, particularly lingering anxieties stemming from the high chance that others will follow Poland's example

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33 Anthony H. Cordesman, "NATO Force Planning: Rethinking the Defense Industrial Base," *Center for Strategic and International Studies*, July 19, 2022, <https://www.csis.org/analysis/nato-force-planning-rethinking-defense-industrial-base>.

34 Personal interview, September 6, 2022.

35 Bastian Giegerich and Ester Sabatino, "The (Sorry) State of EU Defense Cooperation," *Carnegie Europe*, October 6, 2022, <https://carnegieeurope.eu/strategieurope/88104>.



by relying on non-European suppliers. After placing additional orders for K9s to Hanwha Defense just like Poland, Finland and Norway, Estonian top general attended the DX Korea 2022 trade show and met with South Korean counterparts confirming that Tallinn is seeking to beef up defense as quickly as possible.<sup>36</sup> Additionally, the Norwegian major ammunition manufacturer Nammo has signed an agreement with Hyundai Rotem to develop new 120mm rounds for the K2 main battle tank, which “means more powerful ammunition for NATO countries using the K2, including Norway”.<sup>37</sup> Therefore, the fact that South Korean arms sales have become an increasingly attractive option for several European countries might be perceived as a complicating factor to the above-mentioned efforts.

## Policy Recommendations and Conclusion

The recently achieved milestones of the South Korean defense industry contribute to raise the country’s profile as a more relevant player and feed into President Yoon’s “Global Pivotal State” policy. Still, the analysis has revealed that domestic companies have some catching up to do, or should look to collaborate with the U.S. and partners in Europe and the Indo-Pacific to ultimately rise in the ranks of the arms-production global hierarchy and match advanced-if-niche producer-states. This paper proposes a series of policy recommendations worth considering in order to leverage the sector’s new capabilities in the international marketplace and achieve the outlined goals.

### **1. Find synergies in partnering with domestic defense small and medium-sized enterprises (SMEs).**

The ROK government and defense industry should prove that they will be able to translate temporary advantages in selected niches into permanent leading positions. This will be mostly determined by R&D budget and base to produce Fourth-industrial revolution level products. As part of these efforts, the Korean government should actively seek greater participation of SMEs into the defense industry market to increase their export share, which is currently very low compared to bigger firms around 7 to 10 percent of total exports.

### **2. Korea should benchmark the lessons learned from the Ukrainian war to be perceived as a good long-term partner.**

In the last two decades, Korean governments have paid growing attention to managing international reputation and shaping a favorable image of their country among foreign

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36 “S. Korean, Estonian military chiefs hold talks on defense cooperation,” *Yonhap*, September 22, 2022, <https://en.yna.co.kr/view/AEN20220922009700325>.

37 Nammo AS, “Nammo to develop 120mm ammunition for K2 Main Battle Tank,” October 5, 2022, <https://www.nammo.com/story/nammo-to-develop-120mm-ammunition-for-k2-main-battle-tank/>.

public to garner sympathy and support for their foreign policy agenda. As shown, South Korea's defense policy was prompted by the similar ambition of enhancing the country's military and political status as a relevant player not confined to the Northeast Asian region. The same logic can apply to the current scenario of the war in Ukraine. After seizing the opportunity presented by the delays in delivery schedules of the more established producers, the Korean Ministry of Defense and DAPA should continue to adjust their own delivery schedules to guarantee the sustainability of Korea's commitments. This should not be limited to maintain prompt delivery but should include a focus on providing stable follow-up on logistical support to clients after purchasing South Korean weapons. Both efforts are instrumental to bolstering South Korea's image as a reliable partner over the long run. While concern for reputation is significant to great and small powers, it becomes imperative to middle powers such as South Korea due to the fact that their status is more fluid compared with the relative stability enjoyed by those states in the upper and lower ends of the power continuum.

### **3. Maintain a customized strategy to expand South Korea's presence in international defense procurement.**

DAPA and the Ministry of Defense should continue to focus on establishing regional defense export hubs and use them as entry points to establish connections with the surrounding countries. After securing defense export hubs in the Indo-Pacific through deals with Indonesia, India, the Philippines and Australia, in the MENA region through Turkey, UAE, Saudi Arabia, Iraq, and Egypt, and in Central and South America through Colombia and Peru, the procurement contracts with Poland offer Seoul a solid point of entry in the NATO defense landscape. Furthermore, these deals hold the potential for a market upgrade for Korean defense suppliers. Although they currently limit the provision of fighters to the FA-50s—in addition to the Korean-made tanks, artillery systems and rocket launchers—South Korea might be able to bring in its first indigenously-developed KF-21 if and when the Boramae fighter becomes available.

### **4. Enhance knowledge of European and NATO defense supply chains and business conditions across national defense industries.**

Selling defense equipment is not just about price, performance and capabilities, but it is a security partnership that requires skills in diplomacy and relationship management. DAPA should further capitalize on South Korea's growing defense ties with European countries by increasing the number of personnel working on improving knowledge of the European defense supply chain and the business conditions across national defense industries. Moreover, given that NATO has been considering options for global cooperation with the so-called "partners across the globe," South Korea needs to review its defense industrial base in order to be considered a strategic interlocutor. In light of this, the opening of the ROK mission to NATO bodes well for enhancing regular contacts with NATO and European counterparts.

## **5. Address costs and opportunities of the RDP-A between the ROK and the U.S.**

In October 2022, South Korea launched an interagency task force to prepare for an envisioned arms procurement deal with the United States. The signing of the RDP-A with Washington might pave the way for the “third-generation” of industrial cooperation where U.S. and South Korean industrial bases and companies partner for joint R&D, production, and marketing. The U.S. administration should establish a similar task force holding regular consultation to address ROK fears and anxieties of the vulnerability of ROK’s defense industry. All the more so, because signing such a deal will be a symbolic and political act that can strengthen and help to widen the scope of the U.S.-ROK alliance.

Cumulative efforts to expand national defense industrial capabilities both quantitatively and qualitatively have allowed South Korean companies to carve out niches for themselves in the international procurement market through some lucrative arms export deals competing directly with traditional arms producers. This holds particularly true for low-end naval vessels and artillery systems, where the biggest advantage for Korean defense industry lies, and is related to cost and availability over U.S. and European defense players. Additionally, South Korean weapons are already compatible with NATO standards given the co-operability between U.S. and Korean armed forces.

Although the target of joining the “Big 4” suppliers of weapons and military systems set out by the Yoon administration might seem more feasible amid the dynamics and conditions created by the war in Ukraine, the picture should be more nuanced. Unlike the automotive and consumer electronics industries, it is extremely difficult to break into the global arms market as a new player since it is a closed and highly protected business, with low production rates and very thin profit margins.

Ultimately, considerations about the ability of the Korean defense sector to further climb the ranks should factor in recent spikes in the rate of inflation, which has been affecting nearly all of the world’s most advanced economies. For South Korean defense companies, this has had a silver lining as various countries have opted for new suppliers to purchase tanks and self-propelled artillery on the grounds that the U.S. and Western European providers were struggling to meet demands. Nevertheless, the fact that industrial goods inflation in Korea has been averaging well over 10 percent for much of the last year, might have some kind of impact on the estimated timeframe for achieving certain goals in the defense sector as well.

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