



Summary of SDD 2024 and its Future Prospects

Joonbae Lee (Representing the SDD support team in RINSA)

Economic Security and Defense Industry : Defense Cooperation as a Strategy for Sustainable National Growth

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Seoul Defense Dialogue (SDD hereafter), hosted by the Ministry of Defense of Korea, is the premier multilateral security dialogue platform focused on enhancing defense cooperation by inviting high-level defense officials and security experts from various countries and international organizations. Entering its 13th year since its foundation, the SDD 2024 has gained much global attention as a practical forum for security discussions amid rising geopolitical tensions surrounding key regions, such as Ukraine, the Korean Peninsula and the Indo-Pacific region. With the goal of enhancing trust between nations and exploring policy alternatives, the SDD 2024 was held at Lotte Hotel Seoul from September 10 to September 12, with participation by delegations from 67 countries and international organizations, along with domestic and international civilian experts, including high-ranking defense officials from eight countries. With the main theme of 'Cooperation and Solidarity for Freedom, Peace, and Prosperity', the SDD 2024 highlighted Korea's role as a pivotal global nation by communicating the current government's security policy direction amid increasing traditional and non-traditional security threats. In this brief, we summarize the main agenda discussed in the following SDD sessions.

(Session 1) Deterring War and Preserving the Rules-Based International Order

In this plenary session, Mr. Kim Yong Hyun, Minister of National Defense of Korea, delivered the welcome address to the distinguished guests and attendees. Minister Kim emphasized the importance of freedom as a universal value, highlighting the current geopolitical tensions, such as the ongoing Ukraine war and rising hybrid threats like cyberattacks. He also condemned North Korea's persistent missile development, recent provocations, and its military cooperation with Russia, warning of the global security risks posed by their actions.

In response to these challenges, Minister Kim reaffirmed Korea's commitment to defending freedom and the rules-based international order. He stressed the importance of enhancing Korea's military capabilities to counter North Korea's threats, building a high-tech military, and strengthening alliances, particularly with the U.S. and Japan, to ensure regional stability. Furthermore, he called for international solidarity to deter provocations, while advocating for a free and unified Korean Peninsula as the ultimate solution to North Korea's nuclear and human rights issues. Korea, he added, will continue to play a pivotal role in promoting freedom and global prosperity.

In response, Bill Blair, the Minister of Defence of Canada

emphasized Canada's commitment to strengthening its strategic partnerships, especially with Korea, while addressing global security challenges. He highlighted Canada's historical connection with Korea, from involvement in the Korean War to present-day regional defense cooperation. The minister expressed confidence in advancing the Canada-Korea Strategic Partnership Action Plan. He also acknowledged the importance of military interoperability and deeper collaboration between defense industries. In response to China's military expansion, and interference in the South China Sea, he expressed concern over growing ties between China, Russia, and North Korea, which threaten global stability. Canada released its Indo-Pacific Strategy in 2022, increasing its naval deployments and collaboration with regional partners. The minister reaffirmed Canada's commitment to investing in defense, including upgrades to naval capabilities, and emphasized the importance of working with like-minded allies. He concluded by affirming Canada's long-term commitment to a free, open, and rules-based Indo-Pacific region.

Admiral Rob Bauer, Chair of the NATO Military Committee, highlighted the world's escalating security challenges, noting the significant geopolitical shifts and increasing conflicts. He underscored Russia's war against Ukraine as a global threat undermining the rules-based international order, using violence, food, and energy as weapons. Admiral Bauer stressed the importance of partnerships and interoperability in addressing global security threats, praising South Korea's strong support for Ukraine and collaboration through military exercises like Ulchi Freedom Shield. He clarified that while NATO will remain a regional alliance, it recognizes that security is interconnected globally. NATO's cooperation with Indo-Pacific partners focuses on tackling shared challenges such as arms control, cyber defense, climate change and maritime security.

(Session 2) Towards a Free, Peaceful, and Prosperous Indo-Pacific

Japan's State Minister of Defense, Oniki Makoto expressed gratitude to the Republic of Korea for hosting the Seoul Defense Dialogue, noting the recent developments in Japan-Korea defense cooperation. He addressed the complex security challenges facing the Indo-Pacific, including North Korea's missile launches, territorial disputes in the East and South China Seas, and Russia's military presence in the region. He stressed the need for a coordinated response to rising threats, including cross-border risks like natural disasters, climate change, and terrorism. Japan's response to these challenges involves bolstering defense cooperation with allies through joint exercises, high-level meetings, and multilateral frameworks. Oniki outlined Japan's initiatives, including security capacity-building efforts with Southeast Asian and Pacific Island countries, and Japan's new financial framework (OSA) for defense assistance. Oniki concluded by calling for stronger collaboration among regional partners to safeguard peace and stability, urging collective action to achieve prosperity and freedom in the region.

Heng Chee How, Senior Minister of State of Singapore Ministry of Defence proposed three key strategies: increasing dialogue

to build trust, establishing shared norms in emerging domains like cyber and AI, and fostering inclusive practical cooperation through platforms like the ADMM-Plus. He commended ongoing efforts, such as the Shangri-La Dialogue and ASEAN-led initiatives, to strengthen regional security and cooperation. Singapore's contributions, including its hosting of the Information Fusion Centre and Changi Regional Humanitarian Assistance and Disaster Relief (HADR) Coordination Centre, were presented as examples of the value that international partnership brings to their region. Heng concluded by stressing the need to use dialogue and cooperation as tools to counter rising security challenges and promote lasting peace in the region.

Defense Undersecretary Angelito M. De Leon of the Philippines emphasized that the Indo-Pacific region is experiencing unprecedented growth and development and the role the region plays in connecting global trade in all dimensions. He condemned the actions of certain powerful states that create instability by ignoring international rules and spreading false narratives for domestic support. While firmly defending the Philippines' territorial rights, De Leon emphasized that cooperation should be central to regional security efforts. He concluded by urging all nations to collaborate in building an Indo-Pacific where future generations can prosper peacefully and securely, united by shared principles and mutual respect.

(Session 3) Addressing Multiple Security Crises in an Interconnected World

Antti Hakkanen, Minister of Defence of Finland highlighted the importance of collective security in addressing current global challenges. Finland's concept of Comprehensive Security emphasizes collaboration among authorities, businesses, NGOs, and citizens to maintain societal resilience. The speaker stressed the importance of conscription and national defense, underscoring how Finland's mandatory conscription system has fostered widespread understanding of security. Finland expressed solidarity with Ukraine, likening Ukraine's current struggle to Finland's experience during World War II, and condemned Russia's aggression, which undermines the international rules-based order. Finland joined NATO in response to Russia's aggressive actions, which demonstrated a disregard for the sovereignty of neighboring states, necessitating strengthened deterrence and defense. Russia's growing ties with North Korea, Iran, and China further destabilize the Indo-Pacific region, underscoring the need for democratic nations to unite in support of Ukraine and uphold the rules-based international order.

Juvenal Marizamunda, Minister of Defence of Rwanda, highlighted the need for collective security to address the interconnected global challenges of terrorism, cybercrime, human trafficking, and piracy, particularly emphasizing the shifting epicenter of jihadist terrorism to Africa. Drawing on its own experience with past security crises, including genocide, Rwanda underscored the importance of resilience and

cooperation. The country outlined its significant contributions to peacekeeping, being the second-largest contributor of uniformed personnel to UN peacekeeping missions, and stressed the importance of holistic peace efforts. Rwanda's interventions in Mozambique and the Central African Republic aim to combat extremism, rebuild governance, and promote socio-economic stability, demonstrating a commitment beyond military operations.

Balthasar Staehelin of the International Committee of the Red Cross (ICRC) emphasized the importance of upholding international humanitarian law (IHL) amidst escalating global conflicts. Marking the 75th anniversary of the Geneva Conventions, Staehelin noted that despite these foundational treaties, the world faces an alarming rise in conflicts, leading to immense suffering and environmental devastation. He stressed that states must demonstrate leadership in ensuring compliance with IHL by integrating it into legal systems, military practices, and holding violators accountable. He warned that failure to uphold the principles of impartiality and neutrality endangers humanitarian missions and the lives of civilians. The ICRC called on participants to make compliance with IHL a political priority, emphasizing that respect for these laws not only reduces the cost of war but also paves the way for ceasefires, peace, and sustainable development in an interconnected world.

(Session 4) The Challenge and Future of Military Innovation

Vernon Croaker, UK Minister of State for Defence began by reflecting on shared histories and values with South Korea, followed by a highlight of how recent conflicts in Ukraine, the Middle East, and maritime insecurity underscore the interconnected nature of global security. He announced concrete measures of the UK's engagement, including deploying the Carrier Strike Group in 2025 and participating in key military exercises across the region, such as Tarang Shakti, Pitch Black, and Ulchi Freedom Shield. He also emphasized recent UK efforts to enhance and maximize the effectiveness of their cooperation with the U.S. and Australia through AUKUS. He praised South Korea's leadership in the Responsible Use of AI in the Military Domain (REAIM) Summit and expressed interest in enhancing the interoperability of UK armed forces through bilateral training with Korea. The speech concluded by reaffirming the UK's dedication to upholding international law, promoting stability in both the Euro-Atlantic and Indo-Pacific regions, and strengthening collective deterrence through defense innovation and collaboration.

Cara Abercrombie, Acting Deputy Under Secretary of Defense for Policy of the United States introduced the U.S. Department of Defense's emphasis for the need for defense innovation to address today's rapidly evolving security challenges, including advancements in AI, autonomy, cyber, and space. While the military once led technological development during the Cold War, the private sector now drives these innovations at unprecedented speed. To keep pace, the DoD is working to

streamline processes, adopt civilian technologies, and foster rapid prototyping. Initiatives like Task Force 59 and the Replicator project have demonstrated progress, enabling faster deployment of capabilities in regions like the Indo-Pacific, reducing costs and enhancing interoperability with allies. The DoD stressed that innovation must align with responsible values and international law.

Nils Hilmer, State Secretary of the Ministry of Defense of Germany at the 2024 Seoul Defense Dialogue, outlined its response to the growing global security challenges, including a €100 billion special fund to enhance military capabilities and bolster NATO commitments. It highlighted efforts such as procuring F-35 aircraft, expanding personnel and equipment, and potentially reintroducing conscription. Germany also stressed the importance of defense innovation, particularly in emerging technologies like drones, to strengthen both deterrence and combat capabilities. Germany's new National Security Strategy focuses on integrated security, addressing threats beyond military power, and underscores the interconnection between European and Asian security, particularly with North Korea's support for Russia.

(Special Session 1) Challenges to Nuclear Security and Non-Proliferation

Dr. Heo Taekeun of the Korea Institute for Defense Analysis discussed the crisis of the global nuclear non-proliferation regime, attributing it to deteriorating international security conditions resembling a new Cold War. He highlighted how weakened cooperation between the U.S. and Russia, is eroding the nuclear arms control framework. Additionally, alliances face credibility issues, prompting non-nuclear states to explore alternatives for security. Dr. Heo suggests that restoring the regime will require renewed cooperation among nuclear powers and enhanced nuclear assurance for allies, exemplified by the ROK-U.S. Extended Deterrence initiative.

Brigadier (R) Feroz Hassan Khan of the U.S. Naval Postgraduate School, formerly of the Pakistani Army, speaking at the Seoul Defense Dialogue 2024, emphasized the challenges facing the global non-proliferation regime amid shifting geopolitical dynamics and technological advancements. He argued that legacy arms control frameworks are struggling to address emerging issues such as military modernization, hypersonic weapons, AI, and cyber capabilities. Khan warns that the disintegration of these frameworks risks triggering arms races and proliferation, particularly as nuclear modernization trends rise across states like India, Pakistan, and North Korea.

Tong Zhao, from the Carnegie Endowment for International Peace, noted that the previous consensus around U.S. extended deterrence is unraveling, with China now questioning its legality and resisting arms control discussions. The growing nuclear competition between the U.S. and China reflects a declining commitment to arms control. Regarding North Korea, Zhao sees potential for progress if Pyongyang can be persuaded to adopt a no-first-use policy and curb its tactical

nuclear ambitions. China's support in these efforts could prove pivotal. Additionally, he stresses the critical role of non-nuclear states in mitigating nuclear risks, suggesting they can advocate for accountability mechanisms that hold nuclear powers responsible for the collateral damages of any conflict.

Bomi Kim from the Institute for National Security Strategy (INSS) highlighted North Korea's antagonistic stance toward the non-proliferation regime and the security challenges it presents for Northeast Asia. North Korea's historical distrust of international organizations, coupled with its view that the NPT serves the interests of dominant powers, has driven its withdrawal from the treaty and nuclear development. This withdrawal exposed the NPT's fragility, as North Korea exploited loopholes in the treaty and economic sanctions have proven ineffective in halting its nuclear ambitions. Kim emphasizes the need for close coordination and strengthened military and diplomatic efforts to address the root causes of North Korea's nuclear program.

(Special Session 2) The Future of Cutting-Edge Military Technology and the Defense Industry

Mathew George of SIPRI analyzed global arms export and import trends between 2014 and 2023. Countries are increasing production capabilities through localization efforts and partnerships. The trend highlights the growing importance of self-sufficiency and localized manufacturing in various regions.

Michael Raska of Nanyang Technological University argued that traditional defense acquisition frameworks are being challenged, and there is a need for transformation fostering cross-sector partnerships among public institutions, private industry, and academia. Defense institutions must adopt a proactive role, anticipating future threats, accelerating technological adoption, and ensuring resilience.

Dr. Christine Michienzi of CSIS summarized the U.S. efforts in expanding production capacity using traditional and advanced manufacturing methods while also repurposing existing systems creatively. As exemplified by the Replicator program, which aims to deploy thousands of autonomous systems rapidly. Global defense cooperation has also intensified, with initiatives like the United Defense Contact Group (UDCG) and collaboration with National Armaments Directors (NADs) to manage supply chains and production challenges.

Sung Il, Deputy Minister of the MND of Korea, gave an overview of the history of the Korean defense industry. South Korea's defense industry evolved into a global supplier due to the sustained need for defense against North Korea, even as other countries reduced military spending post-Cold War. Now capable of providing advanced conventional weapons, South Korea ensures its systems meet U.S. and NATO standards, as well as emphasizing strategic partnerships, technology transfer, and local maintenance capabilities, helping recipient countries independently sustain their defense systems.

(Special Session 3) Maritime Cooperation for Peace

Dr. Neil Melvin of the Royal United Services Institute (RUSI), emphasized the importance of European engagement in the Indo-Pacific maritime order, against the rising threats including militarization, piracy, climate impacts, and actions by China. He introduced the recent UK military exercises and planned deployments which reflect its commitment to maritime security and regional stability.

Rebecca Strating of La Trobe University, Australia outlined Australia's maritime strategy supporting the rules-based order, aligning with the U.S. through AUKUS and the Quad to counter China's influence, despite no direct disputes with China. Australia's Pacific Maritime Security Program, defense partnerships, and focus on advanced technologies highlight its efforts to maintain regional stability and protect critical trade routes.

Collin Koh of Nanyang Technological University highlighted the strain on the rule of law at sea due to differing interpretations of UNCLOS, gray zone tactics, and non-state threats. Koh stressed the need for stronger confidence- and security-building measures (CSBMs) to foster trust, advocating for incremental bilateral and multilateral efforts.

Dr. Narushige Michishita of National Graduate Institute for Policy Studies discussed Kim Jong-un's new maritime territorial claims and the potential challenges to the Northern Limit Line (NLL). Kim's January 2024 speech rejected the NLL, threatening any infringement as a war provocation. While redefining North Korea's territorial waters may appear reasonable under UNCLOS, it could destabilize regional security by enabling North Korean military activities near South Korea. Michishita emphasized the need to maintain the NLL and educate policymakers in South Korea, Japan, and the U.S. to ensure informed decisions on maritime security.

Conclusion

Over the past decade, the Seoul Defense Dialogue (SDD) has evolved into a critical platform for defense diplomacy, fostering discussions to promote peace and stability in the Indo-Pacific and beyond. It holds significant value as a key tool for supporting South Korea's security and defense policies while serving as an international venue to uphold the rules-based order amid today's grave global security challenges.

In addition to multilateral and bilateral discussions on global security and national defense policies, the SDD provided civilian experts with a platform for in-depth discussions on nuclear non-proliferation, the defense industry, and maritime security. Going forward, the SDD should be actively leveraged to enhance the stature of South Korea's defense policies and further advance international defense cooperation.

Economic Security and Defense Industry: Defense Cooperation as a Strategy for Sustainable National Growth

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I. Introduction

Since Russia's invasion of Ukraine in February 2022, the ongoing Russia-Ukraine war and the Israel-Hamas conflict that erupted in October 2023 have occurred simultaneously in Eastern Europe and the Middle East. These conflict situations are escalating geopolitical tensions worldwide, leading both warring nations and neighboring countries, as well as those facing unstable security situations, to expand defense spending for survival. This has resulted in a rapid increase in global defense industry demand.

Additionally, the intensifying great power competition between the U.S. and China over advanced technology is highlighting the importance of the defense industry centered around such cutting-edge technology. According to the Stockholm International Peace Research Institute (SIPRI), global defense budgets reached a record high of \$2,224 trillion in 2022. The International Institute for Strategic Studies (IISS) also analyzed that total global defense spending in 2023 increased by 9% from the previous year to 2,939 trillion won, marking the highest level ever. Global defense publication *Aviation Week* projects that defense budgets will increase by \$2 trillion (2,660 trillion won) from previous forecasts between 2023 and 2032, with weapons procurement budgets expected to rise by over \$600 billion (798 trillion won). Notably, following the Ukraine-Russia war, U.S. allies have expanded their defense budgets to over 2% of GDP. For instance, Poland has raised its defense budget to a NATO-high 4-5% of GDP, while Germany is increasing its budget from the current 1.4% to over 2%.

This worldwide increase in defense spending is sharply driving up global demand in the defense industry, while also providing opportunities for South Korea's arms exports. According to the South Korea's Ministry of National Defense, South Korea's arms export performance reached a record \$17.3 billion in 2022 and is expected to maintain around \$14 billion in 2023, marking two consecutive years as a 'Global Top 10' defense exporter. The number of export destinations has increased from four countries in 2022, including Poland, to a total of 12 countries in 2023, such as the United Arab Emirates (UAE), Finland, and Norway, with the number of exported weapon systems doubling from six to twelve.

The government of the Republic of Korea (South Korea) aims to raise defense export performance to \$20 billion in 2024 and to enter the ranks of the world's top four defense powerhouses by 2027. According to the SIPRI, South Korea's market share (2.4%) in the global arms export market from 2018 to 2022 is not significantly different from that of China (5.2%), so maintaining the export growth trend of the last two years could help reach the 'Global Top 4', following the U.S. (40%), Russia (16%), and France (11%).

At this crucial juncture, government-level diplomatic support is becoming increasingly important for expanding defense cooperation and supporting defense-related institutions. This article aims to explore the significance of global defense cooperation, essential for South Korea's economic security, and examine trends among major countries, offering derived policy implications.

II. Economic Security and Defense Cooperation

Economic security generally refers to the policies and strategies a country employs to protect its interests and resources from economic threats while maintaining stability. This security is essential for a nation's survival and prosperity, helping to maintain independence and autonomy, prevent social conflicts arising from economic instability, and ensure social stability. Strengthened economic security promotes technological innovation, enhances industrial competitiveness, increases growth potential, and boosts global competitiveness, thereby positively impacting stable relationships with trade partners and attracting foreign investment.

On the other hand, defense cooperation refers to activities aimed at developing the defense industry, weapon systems and technology, and information sharing through collaboration between nations or between private and government entities. This cooperation enhances national security, increases the competitiveness of the defense industry, and enables collaborative approaches in the global security environment. Defense cooperation typically consists of several elements: (i) mutual sharing of defense-related technologies and

innovations, (ii) collaboration and partnerships among defense industries, (iii) joint development where multiple countries design, develop, and produce weapon systems together, (iv) exchange of defense-related information, strategies, and tactics, (v) policy cooperation between nations for harmonizing defense policies and regulations, and (vi) access to international defense markets for countries to expand trade opportunities.

Economic security and defense cooperation complement each other and are essential for national safety and prosperity. As defense cooperation strengthens, economic security becomes more robust, and conversely, as economic security is secured, the importance of defense cooperation grows.

III. The Importance of Defense Cooperation

In the economic security policies of major countries such as the United States (U.S.), China, Japan, and Russia, the protection and promotion of advanced technology, as well as the strengthening of supply chains for strategic materials, are very important elements. In this context, the defense industry, which intensively utilizes advanced technology and is related to the production and development of military strategic materials, is regarded as a key national strategic industry for economic security. Defense cooperation between countries strengthens cooperative networks by encouraging repeated participation from both governments through defense contracts and aligns diplomatic policy goals by sharing perceptions of common security threats, thereby building close solidarity in the international community.

From an economic security perspective, defense cooperation not only enhances a nation's defense capabilities but also plays a significant role in economic prosperity and sustainable development. It is also essential for securing a country's future competitiveness.

Specifically, the reasons why defense cooperation is important for economic security are as follows: First, it enables an integrated approach between military security and economic security by strengthening economic security. This contributes to the establishment of comprehensive national strategies, allowing multiple countries to build stable resource supply chains that reduce economic instability and minimize supply chain risks. Therefore, defense cooperation is crucial for enhancing a nation's stability and sustainability by improving response capabilities in times of economic crisis. Second, the trust built through defense cooperation further strengthens economic collaboration and facilitates economic interactions between countries. Sharing technology and resources enhances the competitiveness of the defense industry and ultimately positively impacts economic growth. Third, defense cooperation provides opportunities to secure cutting-edge technology through joint research and development (R&D) and apply it across the economy. This

accelerates technological development and innovation in each country. Finally, defense cooperation stimulates trade between nations, promotes foreign investment, and fosters skilled personnel in related industries, increasing employment. This not only enhances global competitiveness in the defense sector but also makes a positive contribution to the national economy.

IV. Recent Trends in Defense Cooperation

4.1 United States

The U.S. is forming partnerships in various fields, such as advanced technology and supply chains, using a lattice-like architecture to build a dense and robust security network alongside bilateral relationships. Among these, the defense industry has emerged as a key area for cooperation with allies. Recently, the U.S. Department of Defense has identified 'building resilient supply chains' as one of its strategic priorities in the National Defense Industrial Strategy (NDIS). It introduced the concept of 'production diplomacy' to connect defense industrial ecosystems with allies and to mutually leverage defense production capabilities. Notably, it is pursuing ways to utilize allied defense technologies, manufacturing capabilities, and geographic accessibility, particularly in the Indo-Pacific region.

4.2 Japan

Japan has established itself as a key ally in strengthening U.S. defense cooperation. The two countries are enhancing security cooperation, including plans for the joint development and production of interoperable advanced missiles. In April, during Prime Minister Kishida's visit to the U.S., both governments planned to jointly build defense production capabilities by leveraging their respective industrial bases. Additionally, they established the 'Forum on Defense Industrial Cooperation, Acquisition and Sustainment', co-led by the U.S. Department of Defense and Japan's Ministry of Defense, to identify priorities for defense collaboration.

Moreover, in December 2022, Japan announced its participation in the Global Combat Air Programme (GCAP), a collaborative next-generation fighter development program with the United Kingdom (U.K.) and Italy. More specifically, the GCAP is a multinational initiative led by the U.K., Japan, and Italy to jointly develop a sixth-generation stealth fighter. This initiative aims to strengthen defense alliances with Western allies and revise laws and regulations to enhance Japan's defense export capabilities. The GCAP program is expected to play a significant role not only in fighter development but also in enhancing defense industrial cooperation among Japan, the U.K., and Italy.

Historically, Japan has relied on the purchase of U.S. defense systems, leading to a decline in its own defense industry

and technological base. However, with growing concerns about regional security, the U.S. has been demanding more active defense cooperation from its allies, and the Japanese government is actively leveraging this to revive its defense industry.

4.3 Australia

In April, the Australian Department of Defense announced the '2024 National Defence Strategy', which includes a plan to increase the defense budget by approximately AUD 50.3 billion over the next ten years. Australia's defense budget is expected to rise by over AUD 100 billion by 2033-2034, with a significant portion allocated to the implementation of AUKUS Pillar 2, a security and defense partnership among Australia, the U.K., and the U.S. aimed at strengthening security in the Indo-Pacific region. This pillar focuses on enhancing defense capabilities and fostering deeper collaboration in various technological and military areas.

Through the Japan-Australia Reciprocal Access Agreement (RAA) signed in 2022, Australia is also discussing Japan as a key defense cooperation partner. Additionally, Australia is deepening its bilateral defense cooperation with South Korea, with both countries discussing ways to strengthen cooperation in defense, defense industry, and economic security during various meetings, including the foreign ministers' talks on July 30, 2024, the IP4 summit on July 11, 2024 (with South Korea, Japan, Australia, and New Zealand), and the sixth 2+2 ministerial meeting on May 1, 2024.

4.4 European Union

In 2023, the European Commission announced the EU's first European Defense Industrial Strategy (EDIS). This strategy is based on the fact that approximately 78% of defense equipment purchased by European Union (EU) member states was procured from outside the EU by June of last year, following Russia's invasion of Ukraine. The high external dependency of the defense industry sector has raised concerns, leading to the recognition of the need for EU-led defense industry development.

Notably, Ursula von der Leyen, who was recently re-elected as the President of the European Commission, emphasized strengthening Europe's security and defense as a policy priority for the next five years (2024-2029) and is pursuing a strategy to promote a joint defense alliance.

The EU aims to secure autonomy through defense industry development and increased regional joint procurement, but it emphasizes cooperation with strategic partners, international organizations, and like-minded countries in a context where defense demand exceeds supply. In particular, the 'NATO Defense Industrial Capability Expansion Declaration' announced last July includes plans to strengthen defense cooperation with partner countries such as Australia, Japan, New Zealand, and South Korea.

V. South Korea's Defense Exports

According to the 2023 report by the SIPRI, South Korea has risen to the 10th position among global defense export countries. From 2013 to 2017, South Korea's share of global defense exports was only 1.3%, but this increased to 2.4% between 2018 and 2022. Notably, during this period, the volume of weapon exports increased by 74%, and the export value surged by 177%, marking the fastest growth among the top 25 arms-exporting countries in the world. Moreover, defense industry exports remained between \$2 billion and \$3 billion annually over the past decade but increased to \$7.3 billion in 2021 and significantly rose to \$17.3 billion in 2022.

5.1 United States

In November 2023, South Korea and the U.S. signed a Security of Supply Arrangement (SOSA) to prioritize the supply of defense-related orders and are reviewing a Reciprocal Defense Procurement Agreement (RDP-A) to reduce barriers to joint development and production. This defense cooperation is particularly poised to expand into the naval ship sector. Recently, the U.S. Department of Defense has been facilitating collaboration to enable South Korean shipbuilders to invest in U.S. shipyards and jointly enter maintenance, repair, and operations (MRO) projects. With the anticipated signing of the RDP-A, there is hope for further expansion of defense cooperation with the U.S. through exemptions from existing regulations that restrict foreign companies, such as the Buy American Act (BAA) and the Jones Act.

In August, U.S. Senate Armed Services Committee Chairman Jack Reed visited South Korea to discuss ways to enhance defense cooperation with President Yoon Suk-yeol. At this meeting, issues related to deepening defense cooperation, including the construction and maintenance of U.S. Navy vessels, were major agenda items. Indeed, Reed is reported to have met with Hanwha Ocean, a South Korea's shipbuilding company, to discuss the overall execution of U.S. Navy vessel projects. Hanwha Ocean also announced that it had been awarded a contract to overhaul a 40,000-ton U.S. Navy dry cargo and ammunition ship, becoming the first South Korean shipyard to secure a ship maintenance, repair, and overhaul (MRO) contract from the U.S. Navy.

5.2 Middle East

Earlier this year (February 2024), South Korea and Saudi Arabia signed an export contract for 10 units of the Cheongung-II (M-SAM2), a mid-range ballistic missile defense system, valued at \$3.2 billion. This contract includes advanced interception systems developed by South Korea and is expected to significantly enhance Saudi Arabia's defense capabilities. The export of Cheongung-II follows a supply contract with the United Arab Emirates (UAE) in 2022, demonstrating the continuous expansion of South Korea's defense exports. Furthermore, in February 2022, South Korea signed a contract to export K-9 self-propelled howitzers to

Egypt, and in 2020, it established a contract with Bahrain for an air-launched missile system, actively engaging in defense cooperation in the Middle East.

Recently, it has been reported that Middle Eastern countries, such as Saudi Arabia, UAE, and Iraq have shown significant interest in observing South Korean military weapon systems through their successive visits to South Korea. As a result, the South Korean government and defense industry are increasingly focusing on expanding their relationships in the Middle East.

5.3 Eastern Europe

South Korea has achieved notable success in defense industry cooperation with Eastern European countries. For instance, Poland has significantly increased its imports of South Korean weapons since 2022 and has been strengthening cooperation in the defense sector. The most recent weapon export contract was signed in April with Poland's Armaments Agency for additional procurement of South Korean K239 Chunmoo multiple rocket launchers. Following an initial contract to supply 212 K-9 howitzers and 218 Chunmoo systems, a second order for an additional 152 K-9 howitzers and 72 Chunmoo systems was confirmed. The Polish Ministry of Defense expressed optimism that these continuous weapon export contracts will further enhance the core capabilities and potential of the Polish military. They also indicated that Polish forces will be able to utilize their capabilities in defense industry production more effectively.

Meanwhile, Romania is also gaining attention for entering into a large-scale defense contract with South Korea. Hanwha Aerospace, a leading South Korean defense company, secured a contract in August to export 54 K-9 self-propelled howitzers and 36 K10 ammunition resupply vehicles to Romania, valued at approximately \$920 million. This is the largest weapon procurement contract for Romania in the past seven years and is part of its military modernization plan. As a NATO member, Romania welcomed this contract and expressed high expectations, emphasizing that the introduction of South Korean weapons will greatly benefit its economy and industry.

These decisions by Eastern European countries reflect the current security situation in the region, aiming to enhance military capabilities and defense capabilities. The introduction of advanced South Korean weapon systems is expected to significantly improve these countries' operational capabilities in the future.

VI. Conclusion

Defense cooperation is the most crucial element to generate sustainable defense export achievements and securing a stable position as a defense power. In a complex security environment, in particular, defense cooperation is an essential strategy for enhancing a nation's defense capabilities and

ensuring economic, technological, and political stability. Through this, countries can establish safer and more efficient defense systems. Moreover, creating a multilateral defense industry foundation through strong international defense industry partnerships goes beyond simply expanding the arms export market; it contributes to sharing industrial foundations and building resilience beyond national territories with defense cooperation partners. Thus, there is an increasing need to establish and actively pursue a medium-to-long-term strategy for defense cooperation.

Specifically, due to the volatility of security situations such as international conflicts, recent major defense procurement countries have been demanding comprehensive package offerings that include technology transfer, establishment of units, and localization. Accordingly, specific measures that meet these demands are necessary. Additionally, as the number of countries receiving defense exports increases, tailored export support optimized for each country's security threats and needs must be pursued.

As our defense export scale expands, comprehensive government-level support for financing defense export policies is also essential. Due to the characteristics of government-to-government contracts and the lock-in effect in defense exports, even if profits are low at the initial entry stage, it is crucial to enter the market to secure it through maintenance, servicing, and performance upgrades for decades after export. Therefore, it is necessary to increase the scale of financial support considered essential for defense industry exports, to promote exports and establish a defense export financing system at a level comparable to advanced countries, in order to maintain a competitive edge in the global market. In particular, it is also important to identify the expected financial support needs from countries importing our weapons and to prepare specific anticipatory measures for this.

Finally, we must leverage defense exports to continuously expand international cooperation in diplomacy, security, and industry. This will maximize the importance of defense cooperation and further strengthen the nation's economic security and global standing.



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