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# Executive Summary: 2021 CSIS-DAPA Conference

## *U.S.-ROK Defense Cooperation in the Biden Administration*

By Gregory Sanders

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The 2021 CSIS-DAPA (Defense Acquisition Program Administration) conference explored the topic of how the United States and Republic of Korea (ROK) could strengthen their alliance through greater defense-industrial integration. When this conference last convened in 2019, the relationship between the two nations was maturing into a new stage—what CSIS calls the “third generation of defense cooperation” signaled by the ROK’s growing defense-industrial capacity, recent advances in protecting technology security, and new policies promoting industrial cooperation. The two nations weathered challenges in the subsequent two years, but Presidents Moon and Biden agreed to a multiyear extension of the U.S.-ROK burden-sharing agreement and reaffirmed the more than seven-decade-old alliance as “ironclad” and pivotal to addressing threats from North Korea and to the rules-based regional order.

The U.S.-ROK alliance has deep roots, dating back to the joint fight in the Korean War and presently grounded in common democratic values and decades of close military cooperation. The relationship has changed over time, reflecting the growth of the ROK’s capabilities into an industrial powerhouse. The first generation of defense-industrial cooperation refers to early stages of the relationship, when the ROK was a recipient or buyer of U.S. military goods but was limited in its ability to contribute to their production. Afterward, [the South Korean economy grew 65 times larger](#) since 1960 and, as General (ret.) Robert Brown noted, “It’s now become [the tenth-largest economy in the world.](#)” During this growth period, the second generation of cooperation began, as the ROK leveraged its new role as a buyer of weapons to encourage vendors to transfer technology or make other investments in the ROK. These transfers and investments, called “offsets,” enabled the ROK industrial base to become a supplier of parts and repairs and to begin producing its own sophisticated systems.

The third generation of defense-industrial cooperation would move the relationship beyond technology transfer to a greater integration of the ROK industrial base within U.S. global supply chains. ROK commercial and defense advances, supported by having spent more than a decade in the top five countries by proportion of their economy devoted to research and development (R&D), have created the capabilities necessary for this transition. The ROK has emerged as a major global defense exporter; in 2016–2020, it had a **2.7 percent share of global arms exports**, with sales increasing 210 percent from the prior five-year period. While the potential for a third generation of cooperation exists today, the two countries have not yet developed a collaborative effort ranging from the R&D phase into co-production. An additional challenge comes from the fact that both nations are making investments and policies to promote domestic industry. However, the fundamentals of the relationship remain strong—“ironclad”—and furthering defense-industrial cooperation offers an important step toward a stronger alliance.

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The 2021 conference drew experts from government and industry of both nations to discuss next steps for the third generation of cooperation. It was held over two days, with two private sessions and a formal dinner on February 9, 2022, and a public session the next day with keynotes by DAPA minister Kang Eun Hon and General Robert Brown, president of the Association of the U.S. Army and former commanding general of the U.S. Army Pacific. The private session workshops were held under the Chatham House rule and included representatives from both nations including those presently and formerly in government; representatives of industry; and experts on security cooperation, acquisition, and the industrial base. The goal of the private sessions was to understand prospects for greater ROK-U.S. defense-industrial cooperation in the Biden administration and to discuss defense-industrial policy and strategies of cooperation.

The discussions surrounding this conference followed four broad themes. The first was government-to-government cooperation. Information sharing is a perennial requirement in enabling cooperation. The United States has a reasonable understanding of its own requirements but needs help from allied governments to understand what innovations and capabilities are available from their industrial bases. In alignment with this suggestion, the ROK is considering policies to identify both capacities that foreign companies desire in partners and sectors where domestic companies hope to collaborate with international firms.

The U.S.-ROK government and business partnership could also benefit from earlier knowledge of project requirements and operational concepts. More advanced notice can help identify areas of potential cooperation and help industry justify investments that build up cross-national ties. In its most ambitious form, this means both governments setting requirements for a common need together, as the two countries might design a joint exercise.

Two of the biggest challenges to information sharing between companies can be foreign disclosure rules and cybersecurity risks. General Brown argued that “We need to continue to review U.S. and Korean export licensing requirements, facilitate easier sharing of data. It’s much too hard, I can tell you.” Industry’s experience described in the private session underlined the challenges of working with export license procedures and classification rules. Regulations regarding transfer of technology out of the ROK can compound challenges. General Brown acknowledged that maintaining cybersecurity and protecting intellectual property are vital, but a related challenge is “that we’ll build too many firewalls and then

we can't ever talk to each other." Regarding cybersecurity risk management, Minister Kang hopes for a "joint taskforce team," as cybersecurity "is one of our biggest issues as well." The U.S.-ROK Technology Cooperation Subcommittee (TCSC) was raised as a possible venue for working through cyber certification accreditation. For U.S. policy reforms in these and other defense cooperation areas, having a champion in the Department of Defense (DoD) is not enough. Most notably, the Departments of State and Commerce have key roles in security cooperation and transfers relating to arms and dual-use technology.

The favored venue for U.S.-ROK information sharing for acquisition purposes is the Defense Technological and Industrial Cooperation Committee (DTICC), whose reinvigoration was discussed at the 2019 CSIS-DAPA conference, although the next meeting was delayed until 2022 due to the Covid-19 pandemic. The next meeting will include discussion of global supply chains, growing Korean defense capabilities, cybersecurity, and a possible revision of the DTICC memorandum of understanding (MOU).

The second theme covered at the conference involved domestic industry promotion efforts by both the United States and ROK as well as the prospect of a reciprocal defense procurement (RDP) MOU. For the United States, the Biden administration's "Made in America" initiative seeks to reduce the use of waivers and exemptions to existing statutes that mandate domestic acquisition, most notably the [Buy American Act](#). The administration is seeking a stricter definition of what qualifies as a domestic purchase by [raising the U.S. content thresholds](#) for the Buy American Act from 55 percent to eventually reach 75 percent (the Trump administration had already raised the thresholds from 50 to 55 percent). This means that a larger share of existing and potential forms of defense industry collaboration would no longer qualify as American in origin, despite having majority U.S. content. The Made in America initiative is not focusing on the waivers and exemptions used by the DoD, so the effect may be minor for acquisition performed abroad, such as support for U.S. bases in the ROK or parts for equipment sold to the ROK. But this change would make it harder for the ROK to participate in most U.S. supply chains, because the ROK is not among the 28 nations that have an RDP MOU with the United States. RDP MOUs encompass a set of mutually agreed-upon bilateral standards for defense procurement, like free trade agreements that are limited to the defense realm.

The ROK is continuing to update its own set of policies for promoting domestic industry. The new [Korea Defense Capability \(KDC\) policy](#) and a planned industrial cooperation policy seek to increase the share of ROK defense procurement and sustainment spending going to Korean-produced systems or to international systems with Korean supply chain participation. These plans allow for a multitude of forms of industrial cooperation, and Minister Kang emphasized that "We really want to focus on joint development, joint production, and joint marketing." These policies seek to build economical connections more efficiently than second-generation offset programs by allowing foreign firms to "bank" work with Korean industry across different projects. For example, if a U.S. vendor worked with a Korean partner on a sale to a Southeast Asian nation, the vendor would receive credit they could use toward a past or future sale to the ROK, with extra credit if the Korean partner was a small or medium-sized enterprise (SME). Industry appreciated the flexibility offered by banking and brought forward various ideas for more flexibility, including crediting not just the start of U.S.-ROK business partnerships but also giving credit for ongoing relationships in order to encourage lasting partnerships.

Some of these ROK policies would be superseded if the ROK and United States were to complete an RDP MOU, which grants an exemption to U.S. Buy America policies but requires the partner country to offer a level playing field to U.S. firms competing for partner defense spending. Prior attempts at an RDP MOU in 2008 and 2015 stalled due to skepticism from Korean industry, with the impact on Korean SMEs a topic of particular concern. There is more widespread appetite today for such an MOU as an enabler of third-generation partnership. At the same time, there is a larger question of to what extent the Biden administration will adopt an "ally-shoring" model as a complement to building U.S. manufacturing in key sectors. As General Brown noted, some "will

argue, no, it's all got to be—it has to be U.S.-based only for real security,” but he believes the risks are worth embracing and that “it’s foolish to think you could do it all alone.” This matters even when an RDP MOU is in place. For international participation in the U.S. industrial base, classification or “no foreign” restrictions can be a larger obstacle than Buy America, even for mechanisms oriented toward bringing in new vendors such as other transaction authority (OTA) consortiums.

The third theme of the conference was promising areas of cooperation brought up by participants from both nations. When it comes to traditional military technology, Minister Kang noted that while the U.S. DoD will spend about \$112 billion on R&D, “[The DoD] cannot execute all that budget for all different areas. So the U.S. will focus on the advanced technology. . . . And it has to risk failure.” The ROK can potentially fill gaps with existing technologies it has already developed. One example he gave is the 2.75 LOGIR missile, which the United States and the ROK codeveloped but the United States chose not to produce. It is a less advanced technology but effectively fulfills a naval defense niche. Another promising area is the ROK’s strengths in the land vehicles. A U.S.-ROK business partnership is one of the five competitors offering models for the U.S. Army Optionally Manned Fighting Vehicle Army program. (The U.S.-ROK partnership is not the only competitor pairing U.S. and international partner companies.) In a related sign of growing cooperation, the U.S. Army and Korean defense manufacturer Hanwha recently completed the first cooperative research and development agreement between the U.S. government and a ROK company. General Brown also suggested a few areas of potential cooperation that built on common needs: synthetic training environments, munitions with intentionally limited range and noise that could be used in live-fire training exercises, and artificial intelligence (AI) approaches oriented to human-to-human translation or as a superior way to monitor the demilitarized zone than the use of landmines. A critical venue for discussing future development projects is the TCSC, which will be holding a technology forum focused on space domain awareness.

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Beyond military technology, CSIS’s Dr. Seth Jones suggests that “What sets us apart, I think, from previous eras is the importance of that commercial side, and to draw on the strengths of both nations to respond to threats to the international order.” The ROK is the United States’ sixth-largest trading partner and has world-class capacity in many fields. The range of promising emerging technologies includes strategic and critical materials, semiconductors, data and AI, 5G and 6G communications technology, and space. The Biden administration’s [supply chain executive order](#) observes that supply chain cooperation between the United States and countries with common values “will foster collective economic and national security and strengthen the capacity to respond to international disasters and emergencies.” The omnibus [report](#) stemming from that effort notes Korean leadership on semiconductors as well as their role with electric vehicle batteries and processing strategic and critical materials.

Minister Kang cited the mutually agreed lifting of restrictions on ROK missile and space activities and the agreement to cooperate on 5G and 6G networks as two of the most important takeaways from the May 2021 presidents meeting. As a spin-off from commercial technology, 5G networks can increase the data passing through devices a hundredfold, which has important implications for information sharing in military systems and for the application of AI and machine learning. Of the five major 5G companies,

two are Chinese and three are located in U.S. partner nations, including one in the ROK. That company, Samsung, is also unusual in having a completely integrated manufacturing process, which means it has a remarkable level of supply chain assurance. One important caveat for cooperation in all of these spheres is that while they have defense implications, the DoD is not the only—and often not the primary—driver, especially for commercial technology. The DoD’s demand only represents a few percentage points of the total for emerging technologies; for both that reason and policy considerations, progress on commercial technology collaboration requires cooperation with relevant civilian agencies.

The final focus area was the larger strategic context. As Dr. Jones summarized, the United States and the ROK are entering “a new era of cooperation as we build a partnership on a global stage and jointly—and I mean that—jointly confront challenges across the region, while still maintaining a robust deterrence across the Korean Peninsula.” General Brown added that “A commitment to international laws, including freedom of navigation and overflight is absolutely critical.” As CSIS’s Dr. Victor Cha noted, the evolution in the defense-industrial partnership “mirrors the overall evolution of the alliance relationship. Across almost any sector, we see how this relationship started out as a senior partner and a junior partner, and now has become more equal. And in some cases, Korea is ahead. Korea is leading the United States.” Cooperation on defense and technology issues can have wider benefits including potentially strengthening trilateral cooperation with Japan and multilateral cooperation in the region, including both commercial technologies like 5G and 6G and the transfer of interoperable defense goods.

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Minister Kang and General Brown acknowledged the challenges facing achieving third-generation cooperation, and General Brown cited a shared phrase from military cooperation on the Korean Peninsula: “We go together!” Minister Kang put a twist on that phrase, asking the members of government and industry to repeat “We work together!” The attempt is no guarantee of success, but a closer relationship will be built on government and industry from both nations trying to cooperate more closely and then working together to take on the obstacles that arise. ■

*Gregory Sanders is deputy director and fellow with the Defense-Industrial Initiatives Group at the Center for Strategic and International Studies in Washington, D.C.*

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